

**somewhat  
different**

Hannover Rück SE  
**Annual Report 2018**

*hannover* **re**<sup>®</sup>

## Key figures

| in EUR million  | 2018            | +/-<br>previous<br>year | 2017            | 2016            | 2015            | 2014            |
|---|-----------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Results</b>  |                 |                         |                 |                 |                 |                 |
| Gross written premium   | 14,640.8        | +10.1%                  | 13,292.9        | 11,917.1        | 14,139.3        | 10,864.9        |
| Net premium earned  | 10,412.9        | +2.0%                   | 10,208.9        | 8,534.8         | 10,178.6        | 8,481.3         |
| Underwriting result   | (0.2)           |                         | (12.7)          | 336.8           | 158.4           | (15.0)          |
| Allocation to the equalisation reserve and similar provisions | 25.3            | -84.7%                  | 165.9           | 8.7             | (136.1)         | (277.6)         |
| Investment result   | 1,231.7         | +2.9%                   | 1,197.5         | 1,287.0         | 1,695.9         | 1,580.8         |
| Pre-tax profit  | 869.7           | -10.2%                  | 968.0           | 1,241.8         | 1,064.0         | 597.8           |
| Profit for the financial year                                 | 665.4           | -21.1%                  | 843.4           | 949.2           | 905.8           | 421.2           |
| Investments   | 36,874.1        | +7.0%                   | 34,460.8        | 35,646.3        | 41,338.2        | 41,912.3        |
| Capital and reserves <sup>1</sup>                             | 1,631.7         |                         | 1,631.7         | 1,631.7         | 1,631.7         | 1,381.7         |
| Subordinated liabilities                                      | 1,500.0         |                         | 1,500.0         | 1,500.0         | 1,500.0         | 1,500.0         |
| Equalisation reserve and similar provisions                   | 2,866.8         | -0.9%                   | 2,892.1         | 3,058.0         | 3,066.7         | 2,930.6         |
| Net technical provisions                                      | 28,676.3        | +4.9%                   | 27,334.6        | 27,822.1        | 27,218.3        | 29,594.4        |
| <b>Total capital, reserves and technical provisions</b>       | <b>34,674.8</b> | <b>+3.9%</b>            | <b>33,358.4</b> | <b>34,011.8</b> | <b>33,416.7</b> | <b>35,406.7</b> |
| Number of employees   | 1,402           | +8.5%                   | 1,292           | 1,267           | 1,245           | 1,200           |
| Retention   | 71.8%           |                         | 78.4%           | 72.4%           | 73.0%           | 79.3%           |
| Loss ratio <sup>2</sup>                                       | 73.2%           |                         | 69.7%           | 69.0%           | 71.9%           | 71.0%           |
| Expense ratio <sup>2</sup>                                    | 31.0%           |                         | 30.7%           | 25.9%           | 27.6%           | 28.3%           |
| Combined ratio <sup>2</sup>                                   | 104.2%          |                         | 100.4%          | 94.9%           | 99.5%           | 99.3%           |

<sup>1</sup> Excluding disposable profit

<sup>2</sup> Excluding life and health reinsurance

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# Boards and officers

## Executive Board

### Ulrich Wallin

**Chairman of the Executive Board Hannover Rück SE, Hannover, Germany**

**Chairman of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

**Member of the Board of Management Talanx AG, Hannover, Germany**

Chairman of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Chairman of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Chairman of the Board of Directors Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland

Chairman of the Supervisory Board International Insurance Company of Hannover SE

(since 2 January 2019: HDI Global Specialty SE), Hannover, Germany<sup>1</sup>

Member of the Board of Directors Hannover Life Re of Australasia Ltd, Sydney, Australia

Member of the Advisory Board Barmenia Allgemeine Versicherungs-AG, Wuppertal, Germany

Member of the Advisory Board Barmenia Krankenversicherung a.G., Wuppertal, Germany

Member of the Advisory Board Barmenia Lebensversicherung a.G., Wuppertal, Germany

### Sven Althoff

**Member of the Executive Board Hannover Rück SE, Hannover, Germany**

Chairman of the Board of Directors Argenta Holdings Limited, London, United Kingdom

Member of the Board of Directors Apollo Syndicate Management Limited, London, United Kingdom

Member of the Board of Directors Argenta Syndicate Management Limited, London, United Kingdom

Member of the Supervisory Board International Insurance Company of Hannover SE

(since 2 January 2019: HDI Global Specialty SE), Hannover, Germany<sup>1</sup>

### Claude Chèvre

**Member of the Executive Board Hannover Rück SE, Hannover, Germany**

Chairman of the Board of Directors Hannover Life Reassurance Africa Limited, Johannesburg, South Africa

Deputy Chairman of the Board of Directors Hannover Life Re of Australasia Ltd, Sydney, Australia

Member of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa

Member of the Board of Directors Hannover ReTakaful B.S.C. (c), Manama, Bahrain

Member of the Board of Directors Hannover Re Services Japan, Tokyo, Japan

Member of the Supervisory Board Hannover Life Re AG, Hannover, Germany<sup>1</sup>

### Jürgen Gräber (until 9 November 2018)

**Member of the Executive Board Hannover Rück SE, Hannover, Germany**

Chairman of the Board of Directors Hannover Reinsurance Africa Limited, Johannesburg, South Africa

Chairman of the Board of Directors Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa

Chairman of the Board of Directors Hannover ReTakaful B.S.C. (c), Manama, Bahrain

Deputy Chairman of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland

Member of the Board of Directors Hannover Re Services Japan, Tokyo, Japan

Member of the Supervisory Board Talanx International AG (since 4 January 2019:

HDI International AG), Hannover, Germany<sup>1</sup>

**Dr. Klaus Miller****Member of the Executive Board Hannover Rück SE, Hannover, Germany****Member of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

Chairman of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Chairman of the Board of Directors Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton, Bermuda

Vice Chairman of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Chairman of the Supervisory Board Hannover Life Re AG, Hannover, Germany<sup>1</sup>

Member of the Board of Directors Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland

**Dr. Michael Pickel****Member of the Executive Board Hannover Rück SE, Hannover, Germany****Member of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

Chairman of the Board of Directors Glencar Insurance Company, Orlando, USA

Chairman of the Board of Directors Glencar Underwriting Managers, Inc., Chicago, USA

Chairman of the Board of Directors Hannover Re Services Italy S.r.l., Milan, Italy

Chairman of the Board of Directors Hannover Re Services USA, Inc., Illinois, USA

Member of the Supervisory Board Delvag Luftversicherungs-AG, Cologne, Germany<sup>1</sup>**Roland Vogel****Member of the Executive Board Hannover Rück SE, Hannover, Germany****Member of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

Chairman of the Board of Directors Hannover Finance, Inc., Wilmington, USA

Chairman of the Board of Directors Hannover Finance (Luxembourg) S.A., Luxembourg

Chairman of the Board of Directors Hannover Finance (UK) Limited, London, United Kingdom

Deputy Chairman of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Deputy Chairman of the Supervisory Board Hannover Life Re AG, Hannover, Germany<sup>1</sup>

Deputy Chairman of the Supervisory Board Talanx Asset Management GmbH

(since 4 January 2019: Ampega Asset Management GmbH), Cologne, Germany

Deputy Chairman of the Advisory Board Hannover Finanz GmbH, Hannover, Germany

Member of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Member of the Board of Directors Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland

Member of the Board of Directors Meribel Midco Limited, St. Helier, Jersey

Member of the Board of Directors Meribel Topco Limited, St. Helier, Jersey

Member of the Supervisory Board International Insurance Company of Hannover SE

(since 2 January 2019: HDI Global Specialty SE), Hannover, Germany<sup>1</sup>

Member of the Advisory Board Commerzbank AG, Frankfurt am Main, Germany

Member of the Advisory Board WeHaCo Unternehmensbeteiligungs-GmbH, Hannover, Germany

<sup>1</sup> Details of supervisory board memberships within the meaning of § 125 (1) Sentence 5, first half-sentence of the Stock Corporation Act (AktG).

The other details are those on comparable control boards at other domestic and foreign business enterprises pursuant to § 125 (1) Sentence 5, second half-sentence of the Stock Corporation Act (AktG).

# Supervisory Board

## **Herbert K. Haas**<sup>1,2,3</sup>

Burgwedel, Germany

### **Chairman**

**Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany**

Chairman of the Supervisory Board E+S Rückversicherung AG, Hannover, Germany

Chairman of the Supervisory Board HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany

Chairman of the Supervisory Board Talanx AG, Hannover, Germany

Member of the Advisory Board Norddeutsche Landesbank Girozentrale (until 31 December 2018), Hannover, Germany<sup>4</sup>

## **Torsten Leue**<sup>1,2,3</sup>

Hannover, Germany

(since 7 May 2018)

### **Deputy Chairman**

**Chief Executive Officer of HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany**

**Chief Executive Officer of Talanx AG, Hannover, Germany**

Chairman of the Supervisory Board HDI Global SE, Hannover, Germany

Chairman of the Supervisory Board HDI Kundenservice AG, Cologne, Germany

Chairman of the Supervisory Board HDI Deutschland AG, Hannover, Germany

Chairman of the Supervisory Board HDI International AG, Hannover, Germany

Chairman of the Supervisory Board HDI Service AG, Hannover, Germany

Member of the Advisory Board E+S Rückversicherung AG, Hannover, Germany

## **Dr. Klaus Sturany**<sup>1</sup>

Ascona, Switzerland

(until 7 May 2018)

### **Deputy Chairman**

**Former member of the Executive Board of RWE AG**

## **Wolf-Dieter Baumgartl**<sup>1,2,3</sup>

Berg, Germany

(until 7 May 2018)

**Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany**

Member of the Administrative Board HDI Assicurazioni S.p.A., Rome, Italy<sup>4</sup>

## **Benita Bierstedt**<sup>5</sup>

Hannover, Germany

(from 1 June 2018 to 6 July 2018)

### **Employee**

Member of the Supervisory Board E+S Rückversicherung AG, Hannover, Germany

## **Frauke Heitmüller**<sup>5</sup>

Hannover, Germany

### **Employee**

## **Dr. Ursula Lipowsky**<sup>2</sup>

Munich, Germany

(since 7 May 2018)

**Member of the Supervisory Board of the Association, Association of German Dioceses (VDD), Corporation under Public Law, Bonn, Germany**

Member of the Supervisory Board Mecklenburgische Krankenversicherungs-AG, Hannover, Germany

Member of the Supervisory Board Mecklenburgische Lebensversicherungs-AG, Hannover, Germany

Member of the Supervisory Board Württembergische Lebensversicherung AG, Stuttgart, Germany

**Otto Müller**<sup>5</sup>

Hannover, Germany  
(until 31 May 2018 and since 12 July 2018)

**Employee**

**Dr. Andrea Pollak**<sup>3</sup>

Vienna, Austria

**Independent Management Consultant**

Deputy Chairwoman of the Supervisory Board Fronius International GmbH, Pettenbach, Austria<sup>4</sup>

**Dr. Immo Querner**

Celle, Germany

**Member of the Board of Management Talanx AG, Hannover, Germany**

**Member of the Board of Management HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany**

Chairman of the Supervisory Board Ampega Asset Management GmbH, Cologne, Germany<sup>4</sup>

Chairman of the Supervisory Board Talanx Reinsurance Broker GmbH, Hannover, Germany<sup>4</sup>

Chairman of the Administrative Board Talanx Finanz (Luxembourg) S.A., Luxembourg<sup>4</sup>

Deputy Chairman of the Supervisory Board Ampega Investment GmbH, Cologne, Germany

Deputy Chairman of the Supervisory Board Ampega Real Estate GmbH, Cologne, Germany<sup>4</sup>

Deputy Chairman of the Supervisory Board HDI Service AG, Hannover, Germany

Member of the Supervisory Board BÖAG Börsen AG, Hannover, Germany

Member of the Supervisory Board Caplantic GmbH, Hannover, Germany<sup>4</sup>

Member of the Supervisory Board E+S Rückversicherung AG, Hannover, Germany

Member of the Supervisory Board HDI International AG, Hannover, Germany

Member of the Supervisory Board HDI Systeme AG, Hannover, Germany

Member of the Supervisory Board Tertia Handelsbeteiligungsgesellschaft mbH, Cologne, Germany<sup>4</sup>

Member of the Stock Exchange Council Frankfurter Wertpapierbörse (Deutsche Börse AG), Frankfurt, Germany<sup>4</sup>

Member of the Board of Directors HDI Reinsurance SE, Dublin, Ireland<sup>4</sup>

**Dr. Erhard Schipporeit**<sup>1</sup>

Hannover, Germany

**Member of various Supervisory Boards**

Chairman of the Supervisory Board innogy SE, Essen, Germany

Deputy Chairman of the Supervisory Board BDO AG, Hamburg, Germany

Deputy Chairman of the Supervisory Board Fuchs Petrolub SE, Mannheim, Germany

Member of the Supervisory Board HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany

Member of the Supervisory Board RWE AG, Essen, Germany

Member of the Supervisory Board SAP SE, Walldorf, Germany

Member of the Supervisory Board Talanx AG, Hannover, Germany

**Maike Sielaff**<sup>5</sup>

Burgwedel, Germany

**Employee**

<sup>1</sup> Member of the Standing Committee

<sup>2</sup> Member of the Finance and Audit Committee

<sup>3</sup> Member of the Nomination Committee

<sup>4</sup> Memberships of supervisory boards and comparable control boards required by law at other companies in Germany and abroad

<sup>5</sup> Staff representative

# Combined management report

The management report of Hannover Rück SE and the Group management report have been combined in accordance with § 315 (3) of the German Commercial Code (HGB) and published in the Group Annual Report 2018.

The annual financial statement and the management report of Hannover Rück SE – combined with the Group management report – for the 2018 financial year have been submitted to the operator of the electronic Federal Gazette and published in the electronic Federal Gazette.



# Accounts



## Balance sheet as at 31 December 2018

| <b>Assets</b>  |         | 2018       |                   | 2017              |
|--|---------|------------|-------------------|-------------------|
| in EUR thousand  |         |            |                   |                   |
| <b>A. Intangible assets</b>  |         |            |                   |                   |
| I. Purchased franchises, trademarks, patents, licences and similar rights and assets |         |            | 56,582            | 56,596            |
| II. Prepayments on intangible assets   |         |            | 9,073             | 12,788            |
|  |         |            | <b>65,655</b>     | <b>69,384</b>     |
| <b>B. Investments</b>  |         |            |                   |                   |
| I. Land and buildings, rights to land and buildings, leasehold                       |         |            | 31,940            | 32,245            |
| II. Investments in affiliated companies and participating interests                  |         |            |                   |                   |
| 1. Shares in affiliated companies  |         | 7,236,713  |                   | 6,369,573         |
| 2. Loans to affiliated companies   |         | 931,136    |                   | 685,276           |
| 3. Participating interests   |         | 80,501     |                   | 80,569            |
| 4. Loans to enterprises in which the company has a participating interest            |         | 0          |                   | 0                 |
|  |         |            | 8,248,350         | 7,135,418         |
| III. Other financial investments   |         |            |                   |                   |
| 1. Shares, units or shares in investment funds and other variable-yield securities   |         | 1,490,221  |                   | 1,560,575         |
| 2. Bearer debt securities and other fixed-income securities                          |         | 17,925,006 |                   | 16,295,744        |
| 3. Other loans   |         |            |                   |                   |
| a) Registered debt securities  | 334,024 |            |                   | 295,227           |
| b) Debentures and loans  | 388,719 |            |                   | 471,852           |
|  |         | 722,743    |                   | 767,079           |
| 4. Deposits with banks   |         | 301,998    |                   | 658,750           |
| 5. Other investments   |         | 23,169     |                   | 2,698             |
|  |         |            | 20,463,137        | 19,284,846        |
| IV. Deposits with ceding companies   |         |            | 8,130,718         | 8,008,330         |
|  |         |            | <b>36,874,145</b> | <b>34,460,839</b> |

| <b>Liabilities</b>                             |  | <b>2018</b> |            | <b>2017</b>       |
|--|--|-------------|------------|-------------------|
| in EUR thousand                                |  |             |            |                   |
| <b>A. Capital and reserves</b>                 |  |             |            |                   |
| I. Subscribed capital                          |  |             | 120,597    | 120,597           |
| II. Capital reserve                            |  |             | 880,608    | 880,608           |
| III. Retained earnings                         |  |             |            |                   |
| 1. Statutory reserve                           |  | 511         |            | 511               |
| 2. Other retained earnings                     |  | 630,000     |            | 630,000           |
|  |  |             | 630,511    | 630,511           |
| IV. Disposable profit                          |  |             | 1,336,000  | 1,274,000         |
|  |  |             |            | <b>2,967,716</b>  |
|  |  |             |            | <b>2,905,716</b>  |
| <b>B. Subordinated liabilities</b>             |  |             |            |                   |
|  |  |             |            | <b>1,500,000</b>  |
| <b>C. Technical provisions</b>                 |  |             |            |                   |
| I. Provision for unearned premiums             |  |             |            |                   |
| 1. Gross                                       |  | 2,425,143   |            | 2,288,921         |
| 2. Less: reinsurance ceded                     |  | 391,808     |            | 376,533           |
|  |  |             | 2,033,335  | 1,912,388         |
| II. Life assurance provision                   |  |             |            |                   |
| 1. Gross                                       |  | 8,724,696   |            | 8,922,089         |
| 2. Less: reinsurance ceded                     |  | 970,583     |            | 1,119,818         |
|  |  |             | 7,754,113  | 7,802,271         |
| III. Provisions for outstanding claims         |  |             |            |                   |
| 1. Gross                                       |  | 23,579,133  |            | 21,478,319        |
| 2. Less: reinsurance ceded                     |  | 5,082,800   |            | 4,152,677         |
|  |  |             | 18,496,333 | 17,325,642        |
| IV. Provision for bonuses and rebates          |  |             |            |                   |
| 1. Gross                                       |  | 590         |            | 724               |
| 2. Less: reinsurance ceded                     |  | 478         |            | 559               |
|  |  |             | 112        | 165               |
| V. Equalisation reserve and similar provisions |  |             | 2,866,808  | 2,892,078         |
| VI. Other technical provisions                 |  |             |            |                   |
| 1. Gross                                       |  | 435,449     |            | 293,403           |
| 2. Less: reinsurance ceded                     |  | 43,043      |            | (747)             |
|  |  |             | 392,406    | 294,150           |
|  |  |             |            | <b>31,543,107</b> |
|  |  |             |            | <b>30,226,694</b> |

| <b>Assets</b>  | 2018 |  |           |                   | 2017              |
|--|------|--|-----------|-------------------|-------------------|
| in EUR thousand  |      |  |           |                   |                   |
| <b>C. Receivables</b>  |      |  |           |                   |                   |
| I. Accounts receivable arising out of reinsurance operations |      |  | 2,720,599 |                   | 2,447,831         |
| from affiliated companies:                                   |      |  |           |                   |                   |
| 398,849 (2017: 519,927)                                      |      |  |           |                   |                   |
| II. Other receivables  |      |  | 573,587   |                   | 446,199           |
| from affiliated companies:                                   |      |  |           | <b>3,294,186</b>  | <b>2,894,030</b>  |
| 486,002 (2017: 338,390)                                      |      |  |           |                   |                   |
| <b>D. Other assets</b>                                       |      |  |           |                   |                   |
| I. Tangible assets and stocks                                |      |  | 19,066    |                   | 18,628            |
| II. Current accounts with banks, cheques and cash in hand    |      |  | 388,560   |                   | 267,997           |
| III. Sundry assets   |      |  | 9,862     |                   | 6,199             |
|  |      |  |           | <b>417,488</b>    | <b>292,824</b>    |
| <b>E. Prepayments and accrued income</b>                     |      |  |           |                   |                   |
| I. Accrued interest and rent                                 |      |  | 171,476   |                   | 157,806           |
| II. Other accrued income                                     |      |  | 8,968     |                   | 7,457             |
|  |      |  |           | <b>180,444</b>    | <b>165,263</b>    |
|  |      |  |           |                   |                   |
| <b>Total assets</b>  |      |  |           | <b>40,831,918</b> | <b>37,882,340</b> |

| Liabilities   | 2018 |  |           |                   | 2017              |
|---|------|--|-----------|-------------------|-------------------|
| in EUR thousand   |      |  |           |                   |                   |
| <b>D. Provisions for other risks and charges</b>          |      |  |           |                   |                   |
| I. Provisions for pensions and similar obligations        |      |  | 99,288    |                   | 89,576            |
| II. Provisions for taxation                               |      |  | 169,039   |                   | 167,102           |
| III. Other provisions                                     |      |  | 133,813   |                   | 115,271           |
|   |      |  |           | <b>402,140</b>    | <b>371,949</b>    |
| <b>E. Deposits received from retrocessionaires</b>        |      |  |           | <b>2,246,672</b>  | <b>1,907,577</b>  |
| <b>F. Other liabilities</b>                               |      |  |           |                   |                   |
| I. Accounts payable arising out of reinsurance operations |      |  | 1,130,031 |                   | 848,843           |
| to affiliated companies:                                  |      |  |           |                   |                   |
| 372,660 (2017: 277,096)                                   |      |  |           |                   |                   |
| II. Bonds   |      |  | 750,000   |                   |                   |
| III. Miscellaneous liabilities                            |      |  | 292,252   |                   | 121,561           |
| thereof   |      |  |           | <b>2,172,283</b>  | <b>970,404</b>    |
| from taxes:   |      |  |           |                   |                   |
| 9,550 (2017: 6,170)                                       |      |  |           |                   |                   |
| for social security:                                      |      |  |           |                   |                   |
| 283 (2017: 157)   |      |  |           |                   |                   |
| to affiliated companies:                                  |      |  |           |                   |                   |
| 239,336 (2017: 94,335)                                    |      |  |           |                   |                   |
| <b>Total liabilities</b>                                  |      |  |           | <b>40,831,918</b> | <b>37,882,340</b> |

## Profit and loss account for the 2018 financial year

| in EUR thousand   | 2018<br>1.1.–31.12. |                   | 2017<br>1.1.–31.12. |
|---|---------------------|-------------------|---------------------|
| <b>I. Technical account</b>   |                     |                   |                     |
| <b>1. Earned premiums, net of retrocession</b>  |                     |                   |                     |
| a) Gross written premiums   | 14,640,753          |                   | 13,292,889          |
| b) Retrocession premiums  | 4,126,615           |                   | 2,873,996           |
|   |                     | 10,514,138        | 10,418,893          |
| c) Change in the gross provisions for unearned premiums   | (90,212)            |                   | (237,324)           |
| d) Change in the provisions for unearned premiums, retrocessionaires' share                           | (10,985)            |                   | 27,295              |
|   |                     | (101,197)         | (210,029)           |
|   |                     | <b>10,412,941</b> | <b>10,208,864</b>   |
| <b>2. Allocated investment return transferred from the non-technical account, net of retrocession</b> |                     |                   |                     |
|   |                     | <b>203,602</b>    | <b>185,841</b>      |
| <b>3. Other technical income, net of retrocession</b>   |                     |                   |                     |
|   |                     | <b>174</b>        | <b>0</b>            |
| <b>4. Claims incurred, net of retrocession</b>  |                     |                   |                     |
| a) Claims paid  |                     |                   |                     |
| aa) Gross   | 9,538,956           |                   | 8,708,751           |
| bb) Retrocessionaires' share  | 2,598,078           |                   | 1,803,681           |
|   |                     | 6,940,878         | 6,905,070           |
| b) Change in provisions for outstanding claims  |                     |                   |                     |
| aa) Gross   | (1,681,575)         |                   | (917,817)           |
| bb) Retrocessionaires' share  | 835,101             |                   | 186,625             |
|   |                     | (846,474)         | (731,192)           |
|   |                     | <b>7,787,352</b>  | <b>7,636,262</b>    |
| <b>5. Changes in other technical provisions, net of retrocession</b>                                  |                     |                   |                     |
| a) Net life assurance provision   |                     | (149,703)         | (176,234)           |
| b) Other net technical provisions   |                     | 5,233             | (1,565)             |
|   |                     | <b>(144,470)</b>  | <b>(177,799)</b>    |
| <b>6. Bonuses and rebates, net of retrocession</b>  |                     |                   |                     |
|   |                     | <b>(50)</b>       | <b>(139)</b>        |
| <b>7. Operating expenses, net of retrocession</b>   |                     |                   |                     |
| a) Gross acquisition expenses   |                     | 3,670,208         | 3,230,311           |
| b) Less: commissions and profit commissions received on retrocession                                  |                     | 985,090           | 637,147             |
|   |                     | <b>2,685,118</b>  | <b>2,593,164</b>    |
| <b>8. Other technical charges, net of retrocession</b>  |                     |                   |                     |
|   |                     | <b>23</b>         | <b>277</b>          |
| <b>9. Subtotal</b>  |                     |                   |                     |
|   |                     | <b>(196)</b>      | <b>(12,658)</b>     |
| <b>10. Change in the equalisation reserve and similar provisions</b>                                  |                     |                   |                     |
|   |                     | <b>25,270</b>     | <b>165,944</b>      |
| <b>11. Net technical result</b>   |                     |                   |                     |
|   |                     | <b>25,074</b>     | <b>153,286</b>      |

| in EUR thousand   | 2018<br>1.1.–31.12. |         |                  | 2017<br>1.1.–31.12. |
|---|---------------------|---------|------------------|---------------------|
| Balance brought forward   |                     |         | 25,074           | 153,286             |
| II. Non-technical account   |                     |         |                  |                     |
| <b>1. Investment income</b>   |                     |         |                  |                     |
| a) Income from participating interests  |                     | 82,447  |                  | 27,097              |
| thereof affiliated companies:   |                     |         |                  |                     |
| 74,586 (2017: 20,097)   |                     |         |                  |                     |
| b) Income from other investments  |                     |         |                  |                     |
| thereof affiliated companies:   |                     |         |                  |                     |
| 41,954 (2017: 46,751)   |                     |         |                  |                     |
| aa) Income from land and buildings, rights to land and buildings, leasehold                                     | 5,225               |         |                  | 4,084               |
| bb) Income from other investments   | 685,719             |         |                  | 653,915             |
|   |                     | 690,944 |                  | 657,999             |
| c) Appreciation on investments  |                     | 1,208   |                  | 13,672              |
| d) Gains on the realisation of investments  |                     | 214,752 |                  | 286,357             |
| e) Income from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements |                     | 460,667 |                  | 317,808             |
|   |                     |         | <b>1,450,018</b> | <b>1,302,933</b>    |
| <b>2. Investment charges</b>  |                     |         |                  |                     |
| a) Expenditure for the management of investments, interest expenditure and other investment expenditure         |                     | 35,610  |                  | 37,069              |
| b) Depreciation   |                     | 88,363  |                  | 20,711              |
| thereof impairments in accordance with § 253 (3) sentence 5 of the Commercial Code (HGB):                       |                     |         |                  |                     |
| 1,076 (2017: 5,980)   |                     |         |                  |                     |
| c) Losses on the realisation of investments   |                     | 73,865  |                  | 38,421              |
| d) Expenses from loss transfer  |                     | 20,500  |                  | 9,200               |
|   |                     |         | <b>218,338</b>   | <b>105,401</b>      |
|   |                     |         | <b>1,231,680</b> | <b>1,197,532</b>    |
| <b>3. Allocated investment return transferred to the technical account</b>                                      |                     |         | <b>(204,465)</b> | <b>(186,558)</b>    |
|   |                     |         | 1,027,215        | 1,010,974           |
| <b>4. Other income</b>  |                     |         | <b>162,730</b>   | <b>176,862</b>      |
| <b>5. Other charges</b>   |                     |         | <b>345,311</b>   | <b>373,123</b>      |
|   |                     |         | <b>(182,581)</b> | <b>(196,261)</b>    |
| <b>6. Profit or loss on ordinary activities before tax</b>  |                     |         | <b>869,708</b>   | <b>967,999</b>      |
| <b>7. Taxes on profit and income</b>  |                     |         | <b>198,563</b>   | <b>121,124</b>      |
| <b>8. Other taxes</b>   |                     |         | <b>5,790</b>     | <b>3,475</b>        |
|   |                     |         | 204,353          | 124,599             |
| <b>9. Profit for the financial year</b>   |                     |         | <b>665,355</b>   | <b>843,400</b>      |
| <b>10. Profit brought forward from previous year</b>  |                     |         | <b>671,014</b>   | <b>431,014</b>      |
| <b>11. Allocations to other retained earnings</b>   |                     |         | <b>369</b>       | <b>414</b>          |
| <b>12. Disposable profit</b>  |                     |         | <b>1,336,000</b> | <b>1,274,000</b>    |

# Notes

Hannover Rück SE has its registered office in Hannover, Germany, at Karl-Wiechert-Allee 50 and is entered with the registry court of Hannover under HRB 6778.

## Valuation of assets

Valuation is carried out in accordance with the provisions of §§ 341 et seq. of the Commercial Code (HGB).

Other intangible assets and goodwill acquired for a consideration are valued at acquisition cost less amortisation in accordance with the normal operational useful life.

Property is valued at the purchase or construction cost less depreciation in accordance with the normal operational useful life. Impairments are taken only if the reduction in value will probably be permanent (§ 253 (3) Sentence 5 of the Commercial Code (HGB)).

Shares in affiliated companies and participations are valued on a purchase cost basis at the lower of amortised cost or fair value allowing for write-downs. Interests in funds that invest in private equity are valued at the lower of amortised cost or fair value allowing for time effects.

Loans to affiliated companies and loans to enterprises in which the company has a participating interest are valued at the lower of amortised cost or fair value.

The portfolio of securities is allocated to fixed assets or current assets depending on the intended use and valued at purchase cost less write-downs to the lower fair value in accordance with the provisions of § 341b of the Commercial Code (HGB).

Shares, units or shares in investment funds and other variable-yield securities are valued according to the strict or modified lower-of-cost-or-market principle depending on the intended use. Securities intended for use on a continuing basis in the normal course of business activities are valued according to the modified lower-of-cost-or-market principle (§ 341b (2) of the Commercial Code (HGB) in conjunction with § 253 (3) of the Commercial Code (HGB)). Permanent impairments are recognised through profit or loss.

Bearer debt securities and other fixed-income securities are valued according to the strict or modified lower-of-cost-or-market principle depending on the intended use. Bearer debt

securities intended for use on a continuing basis in the normal course of business activities are valued at initial cost plus or minus cumulative amortisation according to § 341c (3) of the Commercial Code (HGB). Permanent impairments are recognised through profit or loss pursuant to § 253 (3) Sentence 5 of the Commercial Code (HGB).

Registered debt securities, debentures and loans as well as other loans are carried at acquisition cost – taking into account amortisation – or at the lower fair value.

Other investments are allocated to fixed assets or current assets and valued at purchase cost less write-downs to the lower fair value in accordance with the requirements of § 341b of the Commercial Code (HGB). Valuation is made according to the strict or modified lower-of-cost-or-market principle depending on the intended use. Deposits and cash at banks in current accounts, cash in hand, other assets, deposits and accounts receivable arising out of reinsurance operations, other receivables as well as prepaid expenses and accrued income are valued at the nominal amounts. Valuation adjustments are set up for default risks.

Alternative investments, which are allocated to fixed assets, are valued using various models. Individual and fund investments are valued at purchase cost. A write-down to lower fair value is made on individual investments if certain applicability criteria are met and the need to take a write-down is established using a standardised method. In addition, for CLO positions compliance with collateral tests of the respective higher tranche is verified. In the case of yield enhancement funds, actually incurred defaults as well as instruments at high risk of default in the respective funds are taken as an indication of impairment. Subsequent valuation of shares in private equity funds is based on net asset value (NAV).

Derivative instruments are valued on a mark-to-market basis. Forward exchange transactions are subject to a reporting prohibition based on the principle of not recognising pending transactions. Provisions for anticipated losses from pending transactions are established in the event of negative fair values as at the balance sheet date.



Fixed assets are valued at purchase cost less straight-line or declining-balance depreciation according to the normal operational useful life. Low-value items are written off in the year of acquisition.

## Valuation of liabilities

The provision for unearned premiums, life assurance provision, provisions for outstanding claims, provisions for bonuses and rebates and other technical provisions are entered as liabilities according to the information provided by the ceding companies.

The basis for the valuation of the provision for unearned premiums is the reinsurance premium less 92.5% of the reinsurance commission in accordance with the order of the Minister of Finance of the State of North Rhine-Westphalia dated 29 May 1974. In marine insurance the provision for unearned premiums and the provisions for outstanding claims are regarded as one unit and shown as provisions for outstanding claims.

Where the provisions indicated by the ceding companies are not expected to be adequate, they are increased by appropriate additional amounts. Where no figures are available from cedants, the provisions are estimated in the light of the business experience to date. The results of new treaties are at least neutralised. In some cases, provisions are determined on an actuarial basis. If necessary, additional or complete estimates of the corresponding profit and loss items including relevant retrocessions are made where ceding company accounts with substantial premium income are missing. Missing ceding company accounts with a low premium income are included in the following year. The estimated gross premium income for 2018 is 40.1% of the total volume.

In all major lines IBNR claims reserves have been set up. The calculation is largely carried out in accordance with statistical mathematical methods.

From 2010 onwards the run-off result of the previous year's provision for outstanding claims is calculated by Hannover Rück SE on an accident-year basis and hence appropriately allocated.

The shares of retrocessionaires in the technical reserves are determined on the basis of the reinsurance contracts. Provision is made for bad debts.

The equalisation reserve is set up in accordance with the notes to § 29 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV); the similar provisions

are constituted in accordance with § 30 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV). With respect to insurance lines 28 Other property insurance and 29 Other indemnity insurance, separate profit and loss accounts are drawn up only for the fidelity line.

Write-ups are made in accordance with § 253 (5) of the Commercial Code (HGB).

The catastrophe risk provision for pharmaceutical product liability is calculated in accordance with § 30 (1) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV).

The catastrophe risk provision for terrorism is calculated in accordance with § 30 (2a) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV).

The pension commitments are carried in the settlement amount required according to reasonable and prudent business judgement. They are discounted at 3.21% using the average interest rate for the last ten years published by the German Bundesbank pursuant to the Regulation on the Discounting of Provisions (RückAbzinsVO) with an assumed maturity of 15 years. The provision for pensions is calculated according to the projected unit credit method. A rate of compensation increase of 2.50% and pension indexation of 1.74% are assumed. Fluctuation probabilities are determined separately according to age and gender. The benefit adjustment based on surplus participations from insured pension commitments is recognised in an amount of 0.0%. The valuation is based on the decrement probabilities of the "2018G standard tables".

With respect to employee-funded pension commitments, the amount of which is determined solely according to the fair value of a claim under a pension insurance policy, valuation is carried out in accordance with § 253 (1) Sentence 3 of the Commercial Code (HGB). For these commitments the settlement amount corresponds to the fair value of the actuarial reserve plus surplus participation.

The provisions for taxation and other provisions take into account all identifiable risks and uncertain liabilities.

Deferred taxes are calculated using a tax rate of 32.63%. Deferred tax liabilities, which refer largely to the balance sheet items shares in affiliated companies, receivables from affiliated companies and participating interests (owing to diverging recognition of shares in partnerships and booking of income from participating interests in a different accounting period), are netted in particular with deferred tax assets from the balance sheet item provisions for outstanding claims. No deferred taxes are recognised in view of the surplus of deferred tax assets.

The other provisions are established in the settlement amount required according to reasonable and prudent business judgement, in some cases on the basis of actuarial opinions. Provisions with a maturity of more than one year are dis-

counted using the average market rate published by the German Bundesbank for the last seven years in accordance with their maturity.

A provision is constituted for virtual stock options in accordance with actuarial principles on the basis of recognised financial option pricing models (Black-Scholes Model with the aid of a trinomial tree method). Discounting is carried out pursuant to § 253 (2) of the Commercial Code (HGB) not using risk-free interest rates but with the average interest rates for the last seven years published by the German Bundesbank.

The deposits received from retrocessionaires and other liabilities are valued at the settlement amounts.

## Further accounting policies

Transactions booked in foreign currencies are converted to the reporting currency at the applicable monthly exchange rate at the date of entry in the accounts. Assets and liabilities entered in the balance sheet are converted to euros at the average exchange rates on the balance sheet date.

In order to reduce currency risks as far as possible, matching cover is extensively established for liability items by setting up corresponding asset items in the different currencies. In relation to specific currencies, foreign currency liabilities are combined with matching foreign currency assets into valuation units on the basis of offsetting opposing changes in value pursuant to § 254 of the Commercial Code (HGB) (portfolio hedges) and the result of currency conversion of these foreign currency positions is recognised without regard to the purchase cost method or the imparity principle.

The remaining assets and liabilities outside the aforementioned valuation units have a maturity of less than one year and are measured in accordance with § 256a of the Commercial Code (HGB).

In addition, the provisions for currency risks from past balance sheet dates are written back on a year-by-year basis.

The technical interest results in the main from the interest income earned on the basis of the life assurance provision. Standard methods are used for the calculation.

The declaration of conformity required pursuant to § 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code has been submitted and made permanently available to the shareholders.

## Notes on assets

### Change in asset items A, B. I. to B. III.

| in EUR thousand |  | 2017              | 2018                  |                   |                   |                   |                          |                   |                   |
|-----------------|--|-------------------|-----------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
|                 | Book values<br>31.12.  | Additions         | Reclassi-<br>fication | Disposals         | Write-<br>ups     | Depre-<br>ciation | Cur-<br>rency<br>effects | Book              |                   |
| <b>A.</b>       | <b>Intangible assets</b>   |                   |                       |                   |                   |                   |                          |                   |                   |
|                 | 1. Purchased franchises, trademarks, patents, licences and similar rights and assets | 56,596            | 5,946                 | 11,406            | –                 | –                 | 17,360                   | (6)               | 56,582            |
|                 | 2. Prepayments on intangible assets  | 12,788            | 7,691                 | (11,406)          | –                 | –                 | –                        | –                 | 9,073             |
|                 | 3. Total A.  | <b>69,384</b>     | <b>13,637</b>         | <b>–</b>          | <b>–</b>          | <b>–</b>          | <b>17,360</b>            | <b>(6)</b>        | <b>65,655</b>     |
| <b>B. I.</b>    | <b>Land and buildings, rights to land and buildings, leasehold</b>                   | <b>32,245</b>     | <b>401</b>            | <b>–</b>          | <b>–</b>          | <b>348</b>        | <b>1,054</b>             | <b>–</b>          | <b>31,940</b>     |
| <b>B. II.</b>   | <b>Investments in affiliated companies and participating interests</b>               |                   |                       |                   |                   |                   |                          |                   |                   |
|                 | 1. Shares in affiliated companies  | 6,369,573         | 1,328,091             | –                 | 491,578           | –                 | 339                      | 30,966            | 7,236,713         |
|                 | 2. Loans to affiliated companies   | 685,276           | 212,179               | –                 | 1,459             | –                 | –                        | 35,140            | 931,136           |
|                 | 3. Participating interests   | 80,569            | 500                   | –                 | 568               | –                 | –                        | –                 | 80,501            |
|                 | 4. Loans to enterprises in which the company has a participating interest            | 0                 | –                     | –                 | –                 | –                 | –                        | –                 | 0                 |
|                 | 5. Total B. II.  | <b>7,135,418</b>  | <b>1,540,770</b>      | <b>–</b>          | <b>493,605</b>    | <b>–</b>          | <b>339</b>               | <b>66,106</b>     | <b>8,248,350</b>  |
| <b>B. III.</b>  | <b>Other financial investments</b>   |                   |                       |                   |                   |                   |                          |                   |                   |
|                 | 1. Shares, units or shares in investment funds and other variable-yield securities   | 1,560,575         | 290,513               | –                 | 370,510           | –                 | 207                      | 9,850             | 1,490,221         |
|                 | 2. Bearer debt securities and other fixed-income securities                          | 16,295,744        | 11,104,244            | –                 | 9,659,666         | 860               | 83,061                   | 266,885           | 17,925,006        |
|                 | 3. Other loans   |                   |                       |                   |                   |                   |                          |                   |                   |
|                 | a) Registered debt securities  | 295,227           | 133,694               | –                 | 92,907            | –                 | –                        | (1,990)           | 334,024           |
|                 | b) Debentures and loans  | 471,852           | 2,175                 | –                 | 94,165            | –                 | 114                      | 8,971             | 388,719           |
|                 | 4. Deposits with banks   | 658,750           | –                     | –                 | 378,064           | –                 | –                        | 21,312            | 301,998           |
|                 | 5. Other investments   | 2,698             | 20,471                | –                 | –                 | –                 | –                        | –                 | 23,169            |
|                 | 6. Total B. III.   | <b>19,284,846</b> | <b>11,551,097</b>     | <b>–</b>          | <b>10,595,312</b> | <b>860</b>        | <b>83,382</b>            | <b>305,028</b>    | <b>20,463,137</b> |
| <b>Total</b>    | <b>26,521,893</b>  | <b>13,105,905</b> | <b>–</b>              | <b>11,088,917</b> | <b>1,208</b>      | <b>102,135</b>    | <b>371,128</b>           | <b>28,809,082</b> |                   |

Goodwill acquired for a consideration is amortised over five years. The amortisation period was established according to the estimated average term of the underlying insurance contracts.

## Land and buildings and rights to land and buildings

On 31 December 2018 the company had at its disposal six developed properties with commercial and other buildings in Hannover and near Paris as well as one floor of offices in Madrid. The book value of the floor of offices in Madrid amounted to EUR 688 thousand as at 31 December 2018. Four buildings in Hannover are for own use (book value: EUR 28,576 thousand).

## Shares in affiliated companies and participations

Our major shares in affiliated companies and participations are listed below.

We have omitted companies of subordinate economic importance with no material influence on the net assets, financial position or results of operations.

### List of shareholdings in 2018

| Name and registered office of the company  | Participation in % | Currency | Capital and reserves<br>(\$ 266 (3)<br>Commercial Code) | Result for the last financial year |
|--|--------------------|----------|---|------------------------------------|
| Figures in currency units of 1,000   |                    |          |   |                                    |
| <b>Shares in affiliated companies</b>  |                    |          |   |                                    |
| <b>Companies resident in Germany</b>   |                    |          |   |                                    |
| Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover/Germany   | 100.00             | EUR      | 2,341,925   | –                                  |
| holds 64.79% of the shares in:<br>E+S Rückversicherung AG, Hannover/Germany                            |                    | EUR      | 940,847   | 170,000                            |
| holds 20.00% of the shares in:<br>WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany |                    | EUR      | 89,719  | 10,278                             |
| holds 100.00% of the shares in:<br>HR Verwaltungs-GmbH <sup>3,4</sup> , Hannover/Germany               |                    | EUR      | 3   | (5)                                |
| holds 100.00% of the shares in:<br>Hannover Re (Bermuda) Ltd., Hamilton/Bermuda                        |                    | USD      | 1,234,010   | 163,495                            |
| holds 95.00% of the shares in:<br>Hannover ReTakaful B.S.C. (c), Manama/Bahrain                        |                    | BHD      | 63,150  | 1,287                              |
| Hannover Life Re AG, Hannover/Germany  | 100.00             | EUR      | 1,563,377   | –                                  |
| holds 100.00% of the shares in:<br>Hannover Re (Ireland) Designated Activity Company, Dublin/Ireland   |                    | USD      | 857,255   | 68,234                             |
| holds 100.00% of the shares in:<br>Hannover Life Reassurance Company of America, Orlando/USA           |                    | USD      | 551,466   | 36,288                             |
| holds 100.00% of the shares in:<br>Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda            |                    | USD      | 452,380   | 55,988                             |
| holds 100.00% of the shares in:<br>Hannover Life Re of Australasia Ltd, Sydney/Australia               |                    | AUD      | 469,676   | (11,637)                           |

| Name and registered office of the company  | Participation in % | Currency | Capital and reserves (\$ 266 (3) Commercial Code) | Result for the last financial year |
|--|--------------------|----------|---|------------------------------------|
| Figures in currency units of 1,000   |                    |          |   |                                    |
| Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany  | 87.00              | EUR      | 424,437   | 61,024                             |
| holds 100.00% of the shares in:<br>HAPEP II Holding GmbH, Hannover/Germany   |                    | EUR      | 3,994   | 90                                 |
| Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany   | 74.99              | EUR      | 301,283   | 55,983                             |
| HILSP Komplementär GmbH <sup>2</sup> , Hannover/Germany  | 100.00             | EUR      | 35  | 1                                  |
| Hannover Insurance-Linked Securities GmbH & Co. KG <sup>2</sup> , Hannover/Germany   | 100.00             | EUR      | 20,393  | 25                                 |
| FUNIS GmbH & Co. KG, Hannover/Germany  | 100.00             | EUR      | 106,750   | 11,503                             |
| holds 100.00% of the shares in:<br>Glencar Underwriting Managers, Inc. <sup>1</sup> , Chicago/USA                          |                    | USD      | 5,148   | 325                                |
| holds 100.00% of the shares in:<br>Integra Insurance Solutions Limited <sup>1</sup> , Bradford/United Kingdom              |                    | GBP      | 4,859   | (978)                              |
| holds 53.00% of the shares in:<br>Svedea AB, Stockholm/Sweden  |                    | SEK      | 20,073  | 15,006                             |
| holds 30.00% of the shares in:<br>Reaseguradora del Ecuador S.A., Guayaquil/Ecuador  |                    | USD      | 17,381  | 2,274                              |
| holds 20.00% of the shares in:<br>Monument Insurance Group Limited, Hamilton/Bermuda                                       |                    | GBP      | 58,472  | 11,640                             |
| holds 20.00% of the shares in:<br>Trinity Underwriting Managers Ltd. <sup>5</sup> , Toronto/Canada                         |                    | CAD      | (1,711)   | 29                                 |
| International Insurance Company of Hannover SE, Hannover/Germany   | 100.00             | EUR      | 168,845   | –                                  |
| holds 100.00% of the shares in:<br>International Mining Industry Underwriters Limited <sup>1</sup> , London/United Kingdom |                    | GBP      | 238   | 12                                 |
| Inter Hannover (No.1) Limited, London/United Kingdom   | 100.00             | GBP      | –   | –                                  |
| Hannover Re Global Alternatives GmbH & Co. KG, Hannover/Germany  | 85.00              | EUR      | 318,374   | 6,845                              |
| holds 99.99% of the shares in:<br>HR US Infra Debt LP, George Town/Cayman Islands  |                    | USD      | 118,517   | 3,721                              |
| holds 100.00% of the shares in:<br>PAG Real Estate Asia Select Fund Limited, George Town/Cayman Islands                    |                    | USD      | 173,810   | 972                                |
| Oval Office Grundstücks GmbH <sup>3,7</sup> , Hannover/Germany   | 50.00              | EUR      | 1,628   | 999                                |
| Hannover Re Euro RE Holdings GmbH, Hannover/Germany  | 65.00              | EUR      | 908,380   | 19,339                             |
| holds 99.99% of the shares in:<br>HR GLL Central Europe GmbH & Co. KG, Munich/Germany                                      |                    | EUR      | 350,734   | 4,850                              |
| HAPEP II Komplementär GmbH, Hannover/Germany   | 50.00              | EUR      | 43  | 1                                  |
| <b>Affiliated companies resident abroad</b>  |                    |          |   |                                    |
| Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg  | 100.00             | EUR      | 35,030  | 678                                |
| holds 20.69% of the shares in:<br>Sureify Labs, Inc. <sup>6</sup> , Wilmington/USA   |                    | USD      | (489)   | (2,134)                            |
| Hannover Finance (UK) Limited, London/United Kingdom   | 100.00             | GBP      | 2,694   | (13)                               |
| holds 100.00% of the shares in:<br>Hannover Services (UK) Limited, London/United Kingdom                                   |                    | GBP      | 968   | 75                                 |

| Name and registered office of the company  | Participation in % | Currency | Capital and reserves (\$ 266 (3) Commercial Code) | Result for the last financial year |
|--|--------------------|----------|---|------------------------------------|
| Figures in currency units of 1,000   |                    |          |   |                                    |
| Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa  | 100.00             | ZAR      | 201,825   | 95,297                             |
| holds 100.00% of the shares in:<br>Hannover Life Reassurance Africa Limited, Johannesburg/South Africa           |                    | ZAR      | 565,752   | 37,502                             |
| holds 100.00% of the shares in:<br>Hannover Reinsurance Africa Limited, Johannesburg/South Africa                |                    | ZAR      | 820,846   | 87,934                             |
| holds 100.00% of the shares in:<br>Compass Insurance Company Limited, Johannesburg/South Africa                  |                    | ZAR      | 250,242   | 55,312                             |
| holds 70.00% of the shares in:<br>Lireas Holdings (Pty) Ltd., Johannesburg/South Africa                          |                    | ZAR      | 283,916   | 65,690                             |
| Leine Investment General Partner S.à.r.l., Luxembourg/Luxembourg   | 100.00             | EUR      | 869   | 363                                |
| holds 100.00% of the shares in:<br>LI RE, Hamilton/Bermuda   |                    | USD      | –   | –                                  |
| Hannover Finance, Inc., Wilmington/USA   | 100.00             | USD      | 1,404,793   | 436                                |
| holds 100.00% of the shares in:<br>Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton/Bermuda |                    | USD      | 1,122,202   | 64,825                             |
| holds 100.00% of the shares in:<br>Glencar Insurance Company, Orlando/USA  |                    | USD      | 76,206  | (16,897)                           |
| holds 100.00% of the shares in:<br>Kubera Insurance (SAC) Ltd, Hamilton/Bermuda                                  |                    | USD      | 889   | (111)                              |
| Argenta Holdings Limited, London/United Kingdom  | 100.00             | GBP      | 46,436  | 3,720                              |
| holds 100.00% of the shares in:<br>Argenta Private Capital Limited, London/United Kingdom                        |                    | GBP      | 4,852   | 1,802                              |
| holds 100.00% of the shares in:<br>Argenta Syndicate Management Limited, London/United Kingdom                   |                    | GBP      | 7,474   | 1,580                              |
| holds 100.00% of the shares in:<br>Argenta Tax & Corporate Services Limited, London/United Kingdom               |                    | GBP      | 712   | 462                                |
| holds 100.00% of the shares in:<br>Argenta Underwriting Asia Pte. Ltd., Singapore/Singapore                      |                    | SGD      | 1,687   | 308                                |
| holds 100.00% of the shares in:<br>Argenta Underwriting Labuan Ltd, Labuan/Malaysia                              |                    | USD      | 71  | –                                  |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.1 Limited, London/United Kingdom                      |                    | GBP      | 22  | –                                  |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.2 Limited, London/United Kingdom                      |                    | GBP      | 1,299   | (3,693)                            |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.3 Limited, London/United Kingdom                      |                    | GBP      | 466   | (1,845)                            |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.4 Limited, London/United Kingdom                      |                    | GBP      | (152)   | –                                  |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.7 Limited, London/United Kingdom                      |                    | GBP      | –   | –                                  |

| Name and registered office of the company   | Participation in % | Currency | Capital and reserves (\$ 266 (3) Commercial Code) | Result for the last financial year |
|---|--------------------|----------|---|------------------------------------|
| Figures in currency units of 1,000  |                    |          |   |                                    |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.8 Limited,<br>London/United Kingdom  |                    | GBP      | (32)  | (8)                                |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.9 Limited,<br>London/United Kingdom  |                    | GBP      | 791   | (580)                              |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.10 Limited,<br>London/United Kingdom |                    | GBP      | (53)  | (16)                               |
| holds 100.00% of the shares in:<br>Argenta Underwriting No.11 Limited,<br>London/United Kingdom |                    | GBP      | (30)  | 3                                  |
| holds 100.00% of the shares in:<br>Argenta No.13 Limited, London/United Kingdom                 |                    | GBP      | –   | –                                  |
| holds 100.00% of the shares in:<br>Argenta No.14 Limited, London/United Kingdom                 |                    | GBP      | –   | –                                  |
| holds 100.00% of the shares in:<br>Argenta No.15 Limited, London/United Kingdom                 |                    | GBP      | –   | –                                  |
| holds 100.00% of the shares in:<br>Residual Services Limited, London/United Kingdom             |                    | GBP      | –   | –                                  |
| Leine Investment SICAV-SIF, Luxembourg/Luxembourg   | 99.99              | USD      | 96,470  | 1,030                              |
| Kaith Re Ltd., Hamilton/Bermuda   | 88.00              | USD      | 373   | (181)                              |
| Hannover Re Real Estate Holdings, Inc., Orlando/USA   | 86.50              | USD      | 828,831   | 25,011                             |
| holds 100.00% of the shares in:<br>HR US Infra Equity LP, Wilmington/USA                        |                    | USD      | 32,528  | (328)                              |
| holds 99.90% of the shares in:<br>GLL HRE CORE Properties L.P., Wilmington/USA                  |                    | USD      | 656,081   | (275)                              |
| U FOR LIFE SDN. BHD. <sup>1</sup> , Petaling Jaya/Malaysia                                      | 60.00              | MYR      | (24,057)  | (2,153)                            |
| Hannover ReTakaful B.S.C. (c), Manama/Bahrain   | 5.00               | BHD      | 63,150  | 1,287                              |
| <b>Participations</b>   |                    |          |   |                                    |
| ITAS Vita S.p.A. <sup>1</sup> , Trento/Italy  | 27.10              | EUR      | 104,540   | 3,660                              |
| HANNOVER Finanz GmbH <sup>1</sup> , Hannover/Germany  | 27.78              | EUR      | 84,553  | 21,044                             |
| WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany                            | 20.00              | EUR      | 89,719  | 10,278                             |

<sup>1</sup> Financial year ending 31 December 2017

<sup>2</sup> Financial year ending 30 September 2018

<sup>3</sup> Company is in liquidation

<sup>4</sup> Company was wound up with effect from the end of 31 December 2018

<sup>5</sup> Financial year ending 31 December 2016

<sup>6</sup> Financial year ending 31 July 2018

<sup>7</sup> Financial year ending 30 November 2018

### Key exchange rates

| 1 EUR corresponds to: | Exchange rates on 31.12.2018 |
|-----------------------|------------------------------|
| AUD                   | 1.62081                      |
| BHD                   | 0.43160                      |
| GBP                   | 0.90279                      |
| USD                   | 1.14510                      |
| ZAR                   | 16.45220                     |

## Investments in affiliated companies and participating interests

As at 31 December 2018 the company held shares in affiliated companies with a book value of EUR 7,236,713 thousand (EUR 6,369,573 thousand). Write-downs of EUR 62,941 thousand (EUR 8,385 thousand) were not taken on shares in affiliated companies with a book value of EUR 1,090,918 thousand (EUR 84,506 thousand) because the impairments in question are purely temporary. Based on the assumption that impairments on loans to affiliated companies will not be per-

manent and are attributable to the underlying measurement parameters, write-downs of EUR 4,532 thousand (EUR 1,370 thousand) were not taken on a portfolio with a book value of EUR 178,404 thousand (EUR 62,531 thousand). Write-downs of EUR 13 thousand (EUR 0 thousand) were not taken on participating interests with a book value of EUR 18,188 thousand (EUR 0 thousand) because the impairments in question are purely temporary.

## Other investments

The securities totalling EUR 1,490,221 thousand (EUR 1,560,575 thousand) shown under the “Other financial investments” in the item “Shares, units or shares in investment funds and other variable-yield securities” were allocated entirely to fixed assets. The fair value of these holdings amounted to EUR 1,751,716 thousand (EUR 1,854,672 thousand). Based on the assumption that the impairments will not be permanent, write-downs of EUR 6,542 thousand (EUR 3,632 thousand) were not taken on a portfolio with a book value of EUR 152,146 thousand (EUR 89,061 thousand). In the case of shares and investment fund certificates, a separate and standardised method is used to check the permanence of the impairment. For bond funds the permanence of the impairment is checked on the basis of the difference between the cost price and fair value. The permanence of the impairment for high-yield and emerging market funds is established on the basis of the difference between the cost price and fair value and depending on the ratings of the assets held within the funds. In the case of private equity, real estate investment and infrastructure funds, the permanence of the impairment is verified by referring to the difference between the cost price and fair value and making allowance for the investment structure (J-curve or core funds).

Altogether, bearer debt securities and other fixed-income securities with a book value of EUR 12,826,213 thousand (EUR 12,149,582 thousand) and a fair value of EUR 12,972,429 thousand (EUR 12,474,614 thousand) were allocated to fixed assets. Write-downs of EUR 106,181 thousand (EUR 89,659 thousand) were not taken on bearer debt securities with a book value of EUR 5,350,577 thousand (EUR 4,876,044 thousand). Given that there were no indications of issuer default, it is expected that the nominal value will be repaid in full upon maturity and hence a permanent impairment is not anticipated. The holdings that were not written down to fair value relate inter alia to CDO/CLO investments. Model-based fair value measurement, making allowance for applicability criteria and verification of compliance with collateral tests of the respective higher tranches, is used to test for impairment of the carrying amounts.

Write-downs of EUR 1,787 thousand (EUR 3,009 thousand) were not taken on debentures with a book value of EUR 86,986 thousand (EUR 75,000 thousand) based on the premise that the nominal value will be repaid in full on maturity.

Based on determination of the fair value as at 31 December 2018, no requirement to recognise a permanent impairment on registered debt securities with a book value of EUR 21,297 thousand (EUR 12,361 thousand) was identified. There were no indications of issuer default, and hence write-downs of EUR 740 thousand (EUR 36 thousand) were not taken.

The portfolio includes a special fund launched for Hannover Rück SE by an external manager. The company's share of the fund is 100.0%. The fund in question is a high yield fund investing principally in European fixed-income securities. An index composed of the iBoxx universe is used as the benchmark. For Hannover Rück SE a total amount of EUR 12,622 thousand (EUR 14,474 thousand) was distributed in the year under review. The units can be returned at any time within at most five days. The fund units have a fair value of EUR 1,326,799 thousand (EUR 1,262,706 thousand) and a book value of EUR 1,187,659 thousand (EUR 1,112,037 thousand), producing unrealised gains of EUR 139,140 thousand (EUR 150,668 thousand).

Assets with a balance sheet value of EUR 6,904,278 thousand (EUR 6,542,655 thousand) are blocked in favour of companies.



## Fair values pursuant to § 54 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV)

The fair values of land and buildings are determined annually using the gross rental method in accordance with the Decree on the Principles for Determining the Market Value of Property (ImmoWertV) and the supplementary valuation guidelines. Income values or net asset values are determined for shares in affiliated companies and participating interests. In individual cases the amortised cost is taken as the fair value.

Shares, units or shares in investment funds, bearer debt securities and other securities are carried at market or stock exchange prices. These are obtained from publically available prices and bid prices as at the balance sheet date. In the case

of special investments for which there are no publically available prices, valuation is model-based using risk premiums, default rates, prepayment speed and recovery rates or at net asset value (NAV). The fair values of securities traded in illiquid markets as well as those of the sundry loans and loans to affiliated companies and participating interests are calculated on the basis of yield curves, taking into account the creditworthiness of the specific debtor and the currency of the loan.

Deposits with banks and other investments are carried at nominal values and in individual cases at book value.

### Fair values pursuant to § 54 RechVersV of asset items B. I. to B. III.

| in EUR thousand |   | 2018                  |                       |                      |
|-----------------|---|-----------------------|-----------------------|----------------------|
|                 |   | Book values<br>31.12. | Fair values<br>31.12. | Difference<br>31.12. |
| <b>B. I.</b>    | <b>Land and buildings, rights to land and buildings, leasehold</b>              | <b>31,940</b>         | <b>52,749</b>         | <b>20,809</b>        |
| <b>B. II.</b>   | <b>Investments in affiliated companies and participating interests</b>          |                       |                       |                      |
| 1.              | Shares in affiliated companies  | 7,236,713             | 9,529,272             | 2,292,559            |
| 2.              | Loans to affiliated companies   | 931,136               | 941,743               | 10,607               |
| 3.              | Participating interests   | 80,501                | 90,774                | 10,273               |
| 4.              | Loans to enterprises in which the company has a participating interest          | 0                     | 0                     | –                    |
| 5.              | Total B. II.  | <b>8,248,350</b>      | <b>10,561,789</b>     | <b>2,313,439</b>     |
| <b>B. III.</b>  | <b>Other investments</b>  |                       |                       |                      |
| 1.              | Shares, units or shares in investment funds and other variable-yield securities | 1,490,221             | 1,751,716             | 261,495              |
| 2.              | Bearer debt securities and other fixed-income securities                        | 17,925,006            | 18,118,590            | 193,584              |
| 3.              | Other loans   |                       |                       |                      |
| a)              | Registered debt securities  | 334,024               | 351,928               | 17,904               |
| b)              | Debentures and loans  | 388,719               | 400,999               | 12,280               |
| 4.              | Deposits with banks   | 301,998               | 302,551               | 553                  |
| 5.              | Other investments   | 23,169                | 23,169                | –                    |
| 6.              | Total B. III.   | <b>20,463,137</b>     | <b>20,948,953</b>     | <b>485,816</b>       |
| <b>Total</b>    |   | <b>28,743,427</b>     | <b>31,563,491</b>     | <b>2,820,064</b>     |

## Other receivables

| in EUR thousand                            | 2018           | 2017           |
|--|----------------|----------------|
| Receivables from affiliated companies      | 486,002        | 338,390        |
| Receivables from reinsured pension schemes | 65,631         | 62,914         |
| Receivables from the revenue authorities   | 9,721          | 14,385         |
| Receivables from representative offices    | 2,367          | 2,198          |
| Deposits                                   | 1,769          | –              |
| Receivables from securities transactions   | 1,644          | 17,418         |
| Interest and rent due                      | 1,253          | 2,395          |
| Receivables from hedges                    | 320            | 6,260          |
| Other receivables                          | 4,880          | 2,239          |
| <b>Total</b>                               | <b>573,587</b> | <b>446,199</b> |

## Sundry assets

The sundry assets relate to tax refund claims in an amount of EUR 9,862 thousand (EUR 6,199 thousand).

## Prepayments and accrued income

| in EUR thousand                 | 2018           | 2017           |
|---------------------------------|----------------|----------------|
| Accrued interest and rent       | 171,476        | 157,806        |
| Accrued administrative expenses | 8,589          | 6,976          |
| Other                           | 379            | 481            |
| <b>Total</b>                    | <b>180,444</b> | <b>165,263</b> |

## Notes on liabilities

### Subscribed capital

The company's subscribed capital remained unchanged as at 31 December 2018 in the amount of EUR 120,597 thousand. It is divided into 120,597,134 no-par-value registered shares.

Contingent capital of EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to convert participating bonds or profit-sharing rights. This contingent capital has a time limit of 9 May 2021.

Authorised capital is also available in an amount of up to EUR 60,299 thousand with a time limit of 9 May 2021. Of this, an amount of up to EUR 1,000 thousand may be used to issue employee shares.

## Treasury shares

By a resolution of the Annual General Meeting of Hannover Rück SE adopted on 6 May 2015, the company was authorised until 5 May 2020 to acquire treasury shares of up to 10% of the capital stock existing on the date of the resolution.

The company did not hold fully paid, no-par-value treasury shares as at 31 December 2018. Within the financial year just ended the company acquired shares for employees, which it subsequently sold to them.

|  | 2018                |              |                  |              |
|--|---------------------|--------------|------------------|--------------|
|  | Date of acquisition | Date of sale | Date of reversal | Date of sale |
|  | 16 May              | 16 May       | 15 June          | 24 September |
| Number of shares   | 16,545              | 16,545       | 15               | 15           |
| Amount of capital stock attributable to the shares (EUR) | 16,545.00           | 16,545.00    | 15.00            | 15.00        |
| Proportion of capital stock                              | 0.01%               | 0.01%        | 0.0000%          | 0.0000%      |
| Price (EUR)  | 112.81              | 112.81       | 112.81           | 110.59       |

## Capital reserve

The company's capital reserve remained unchanged as at 31 December 2018 in the amount of EUR 880,608 thousand. The capital

reserve refers solely to the amount generated upon the issue of shares in excess of the par value of the subscribed capital.

## Retained earnings

The retained earnings were unchanged as at 31 December 2018 in an amount of EUR 630,511 thousand. They were reduced by EUR 369 thousand due to the issue of employee shares and an amount of EUR 369 thousand was allocated to retained earnings from the 2018 profit for the year. Pursuant to § 268 (8) Sentence 3 in conjunction with Sentence 1 of the Commercial Code (HGB) there is a restriction on distribution of EUR 17 thousand for the excess of fair value over historical

cost of the assets used to cover retirement benefit obligations less corresponding deferred tax liabilities. Based on the discounting of pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years, there is an additional restriction on distribution in an amount of EUR 9.8 million after allowance for deferred taxes.

## Disposable profit

The disposable profit for the financial year includes a profit carried forward from the previous year of EUR 671,014 thousand.

## Subordinated liabilities

Under a loan agreement dated 15 September 2010 Hannover Finance (Luxembourg) S.A. granted Hannover Re a junior loan of EUR 500,000 thousand at a coupon of 5.85% and with a maturity date of 11 September 2040 as well as a first call option as at 11 September 2020.

On 15 September 2014 Hannover Rück SE placed another subordinated bond with a volume of EUR 500,000 thousand on the capital market at a coupon of 3.375% and with a perpetual maturity as well as a first scheduled call option as at 26 June 2025.

Under a loan agreement dated 19 November 2012 Hannover Finance (Luxembourg) S.A. granted Hannover Re a junior loan of EUR 500,000 thousand at a coupon of 5.131% and with a maturity date of 20 November 2042 as well as a first call option as at 20 June 2023.

## Provision for unearned premiums

| in EUR thousand | 2018             |                  | 2017             |                  |
|-----------------|------------------|------------------|------------------|------------------|
|                 | gross            | net              | gross            | net              |
| Insurance line  |                  |                  |                  |                  |
| Fire            | 385,139          | 317,173          | 421,647          | 341,652          |
| Casualty        | 465,716          | 400,828          | 471,901          | 408,260          |
| Accident        | 79,542           | 73,584           | 59,554           | 55,001           |
| Motor           | 456,058          | 397,984          | 399,360          | 329,012          |
| Aviation        | 80,922           | 63,235           | 83,038           | 63,719           |
| Life            | 175,521          | 159,844          | 151,965          | 130,226          |
| Other lines     | 782,245          | 620,687          | 701,456          | 584,518          |
| <b>Total</b>    | <b>2,425,143</b> | <b>2,033,335</b> | <b>2,288,921</b> | <b>1,912,388</b> |

## Life assurance provisions

| in EUR thousand | 2018             |                  | 2017             |                  |
|-----------------|------------------|------------------|------------------|------------------|
|                 | gross            | net              | gross            | net              |
| Insurance line  |                  |                  |                  |                  |
| Accident        | 13,033           | (9,306)          | 16,013           | (4,495)          |
| Life            | 8,706,617        | 7,758,906        | 8,893,481        | 7,795,010        |
| Other lines     | 5,046            | 4,513            | 12,595           | 11,756           |
| <b>Total</b>    | <b>8,724,696</b> | <b>7,754,113</b> | <b>8,922,089</b> | <b>7,802,271</b> |

## Provisions for outstanding claims

| in EUR thousand  | 2018              |                   | 2017              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | gross             | net               | gross             | net               |
| Insurance line   |                   |                   |                   |                   |
| Provision for reimbursements and surrenders (except annuities) |                   |                   |                   |                   |
| Fire   | 3,013,712         | 2,097,659         | 2,552,289         | 2,020,298         |
| Casualty   | 8,940,715         | 7,443,581         | 8,186,948         | 6,757,036         |
| Accident   | 350,958           | 306,915           | 354,244           | 297,299           |
| Motor  | 3,724,571         | 2,956,743         | 3,112,129         | 2,616,808         |
| Aviation   | 1,013,385         | 763,284           | 1,038,944         | 764,749           |
| Marine   | 1,364,669         | 939,736           | 1,369,253         | 941,689           |
| Life   | 1,056,097         | 1,003,128         | 1,192,637         | 1,138,989         |
| Other lines  | 4,063,300         | 2,880,517         | 3,621,285         | 2,695,220         |
|  | <b>23,527,407</b> | <b>18,391,563</b> | <b>21,427,729</b> | <b>17,232,088</b> |
| Separate value adjustment on retrocessions                     | –                 | 54,602            | –                 | 44,484            |
|  | <b>23,527,407</b> | <b>18,446,165</b> | <b>21,427,729</b> | <b>17,276,572</b> |
| Provision for annuities  |                   |                   |                   |                   |
| Casualty   | 1,432             | 1,378             | 1,615             | 1,567             |
| Accident   | 31,019            | 31,013            | 30,790            | 30,784            |
| Motor  | 19,275            | 17,777            | 18,185            | 16,719            |
|  | <b>51,726</b>     | <b>50,168</b>     | <b>50,590</b>     | <b>49,070</b>     |
| <b>Total</b>   | <b>23,579,133</b> | <b>18,496,333</b> | <b>21,478,319</b> | <b>17,325,642</b> |

The net run-off result in property and casualty insurance is positive overall and amounts to 1.6% (5.5%) relative to the original provision.

## Equalisation reserve and similar provisions

| in EUR thousand<br>Insurance line  | 2018             |                |                        |                    |
|--|------------------|----------------|------------------------|--------------------|
|  | Position at 1.1. | Addition       | Withdrawal and release | Position at 31.12. |
| Equalisation reserve   |                  |                |                        |                    |
| Fire   | 379,833          | 2,673          | 57,846                 | 324,660            |
| Casualty   | 879,470          | –              | 54,475                 | 824,995            |
| Accident   | –                | 13,310         | –                      | 13,310             |
| Motor  | 350,506          | 27,347         | –                      | 377,853            |
| Aviation   | 129,798          | 10,893         | 7,621                  | 133,070            |
| Marine   | 323,693          | 9,807          | –                      | 333,500            |
| Other lines  | 715,058          | 73,754         | 38,383                 | 750,429            |
|  | <b>2,778,358</b> | <b>137,784</b> | <b>158,325</b>         | <b>2,757,817</b>   |
| Provisions which are similar to the equalisation reserve – major risks – |                  |                |                        |                    |
| Fire   | 33,235           | 1,028          | –                      | 34,263             |
| Casualty   | 34,021           | 168            | 10,101                 | 24,088             |
| Accident   | –                | –              | –                      | –                  |
| Motor  | 913              | 146            | –                      | 1,059              |
| Aviation   | –                | –              | –                      | –                  |
| Marine   | 2,596            | –              | 12                     | 2,584              |
| Other lines  | 42,955           | 4,042          | –                      | 46,997             |
| <b>Total</b>   | <b>2,892,078</b> | <b>143,168</b> | <b>168,438</b>         | <b>2,866,808</b>   |

## Other technical provisions

| in EUR thousand<br>Type of provision | 2018           |                | 2017           |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | gross          | net            | gross          | net            |
| Profit commission                    | 435,893        | 392,499        | 286,696        | 287,356        |
| Commissions                          | (1,422)        | (1,085)        | 523            | 568            |
| Traffic accident victims' assistance | 978            | 992            | –              | –              |
| Premium cancellation                 | –              | –              | 6,184          | 6,226          |
| <b>Total</b>                         | <b>435,449</b> | <b>392,406</b> | <b>293,403</b> | <b>294,150</b> |

## Technical provisions – total

| in EUR thousand<br>Insurance line          | 2018              |                   | 2017              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | gross             | net               | gross             | net               |
| Fire                                       | 3,807,950         | 2,817,660         | 3,409,188         | 2,802,085         |
| Casualty                                   | 10,297,530        | 8,730,003         | 9,596,271         | 8,104,809         |
| Accident                                   | 562,938           | 488,942           | 491,692           | 408,688           |
| Motor                                      | 4,583,184         | 3,755,074         | 3,882,707         | 3,317,008         |
| Aviation                                   | 1,232,840         | 964,133           | 1,262,444         | 967,237           |
| Marine                                     | 1,706,374         | 1,280,453         | 1,700,368         | 1,272,656         |
| Life                                       | 10,116,926        | 9,081,786         | 10,404,340        | 9,214,855         |
| Other lines                                | 5,724,076         | 4,370,454         | 5,128,525         | 4,094,872         |
|  | <b>38,031,818</b> | <b>31,488,505</b> | <b>35,875,535</b> | <b>30,182,210</b> |
| Separate value adjustment on retrocessions | –                 | 54,602            | –                 | 44,484            |
| <b>Total</b>                               | <b>38,031,818</b> | <b>31,543,107</b> | <b>35,875,535</b> | <b>30,226,694</b> |

## Provisions for other risks and charges

| in EUR thousand  | 2018           | 2017           |
|--|----------------|----------------|
| Provisions for pensions and similar liabilities            | 99,288         | 89,576         |
| Provisions for taxation                                    | 169,039        | 167,102        |
| Sundry provisions  |                |                |
| Provisions for outstanding remuneration payments           | 45,542         | 40,562         |
| Provision for interest pursuant to § 233a AO (Fiscal Code) | 34,916         | 37,292         |
| Provision for loss transfer                                | 20,500         | 9,200          |
| Provisions for annual accounts costs                       | 3,447          | 4,712          |
| Provisions for suppliers' invoices                         | 1,498          | 1,933          |
| Provision for partial retirement                           | 1,051          | 674            |
| Provisions for costs of legal action                       | 917            | 913            |
| Provision for currency risks                               | –              | 27             |
| Other provisions   | 25,942         | 19,958         |
|  | <b>133,813</b> | <b>115,271</b> |
| <b>Total</b>   | <b>402,140</b> | <b>371,949</b> |

The difference between the discounting of the pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years – allowing for deferred tax liabilities – was EUR 9.8 million.

Assets and the associated expenses and income were offset pursuant to § 246 (2) Sentence 2 of the Commercial Code (HGB) with respect to the provisions for pensions and the provision for partial retirement. Pension liabilities and pension insurance policies were netted in an amount of EUR 251 thousand (EUR 325 thousand). The provision for partial re-

tirement of EUR 2,132 thousand (EUR 2,606 thousand) was netted with plan assets with a fair value of EUR 1,081 thousand (EUR 1,932 thousand) pursuant to § 246 (2) of the Commercial Code (HGB). In this connection income of EUR 29 thousand (EUR 42 thousand) was offset against total expenses of EUR 57 thousand (EUR 0 thousand).

The plan assets for partial retirement were measured on the basis of fair values pursuant to § 253 (1) Sentence 3 of the Commercial Code (HGB). The acquisition cost of the plan assets amounted to EUR 1,914 thousand (EUR 1,885 thousand).

## Miscellaneous liabilities

| in EUR thousand  | 2018           | 2017           |
|--|----------------|----------------|
| Accounts due to affiliated companies                               | 239,336        | 94,335         |
| Liabilities from cash collateral received                          | 15,610         | 10             |
| Liabilities from interest and LOC                                  | 14,174         | 8,233          |
| Liabilities in respect of the revenue authorities                  | 9,550          | 6,170          |
| Liabilities from hedge accounting                                  | 6,864          | 8,763          |
| Liabilities from securities transactions                           | 4,174          | 1,682          |
| Trade accounts payable   | 1,865          | 1,352          |
| Liabilities in respect of permanent establishments                 | 0              | 186            |
| Liabilities from outstanding commitments to old-age pension scheme | 72             | 180            |
| Liabilities from leases  | 3              | 2              |
| Liabilities from option premiums                                   | 1              | 78             |
| Other liabilities  | 603            | 570            |
| <b>Total</b>   | <b>292,252</b> | <b>121,561</b> |

# Notes on the profit and loss account

## Total insurance business

| in EUR thousand                    | 2018                  | 2017              | 2018                 | 2017              | 2018               | 2017              | 2018                             | 2017           |
|------------------------------------|-----------------------|-------------------|----------------------|-------------------|--------------------|-------------------|----------------------------------|----------------|
| Insurance line                     | Gross written premium |                   | Gross premium earned |                   | Net premium earned |                   | Technical result for own account |                |
| Fire                               | 2,213,293             | 1,963,367         | 2,276,098            | 1,903,621         | 1,345,941          | 1,342,061         | (2,387)                          | 214,669        |
| Casualty                           | 1,590,132             | 1,584,038         | 1,580,600            | 1,561,034         | 1,050,305          | 1,215,765         | (130,694)                        | 44,463         |
| Accident                           | 391,067               | 336,062           | 371,065              | 338,561           | 344,812            | 307,518           | 21,358                           | 42,921         |
| Motor                              | 2,452,280             | 1,860,822         | 2,425,760            | 1,641,667         | 1,528,339          | 1,250,950         | (204,037)                        | (186,965)      |
| Aviation                           | 225,375               | 238,078           | 230,625              | 250,245           | 159,057            | 168,418           | 15,280                           | 255,702        |
| Marine                             | 329,307               | 343,249           | 329,307              | 343,249           | 194,461            | 200,648           | 66,049                           | (7,261)        |
| Other lines                        | 3,202,771             | 2,862,387         | 3,123,358            | 2,823,790         | 2,268,059          | 2,063,079         | 229,889                          | (239,570)      |
| <b>Total property and casualty</b> | <b>10,404,225</b>     | <b>9,188,003</b>  | <b>10,336,813</b>    | <b>8,862,167</b>  | <b>6,890,974</b>   | <b>6,548,439</b>  | <b>(4,542)</b>                   | <b>123,959</b> |
| Life                               | 4,236,528             | 4,104,886         | 4,213,728            | 4,193,398         | 3,521,967          | 3,660,425         | 29,616                           | 29,327         |
| <b>Total insurance business</b>    | <b>14,640,753</b>     | <b>13,292,889</b> | <b>14,550,541</b>    | <b>13,055,565</b> | <b>10,412,941</b>  | <b>10,208,864</b> | <b>25,074</b>                    | <b>153,286</b> |

| in EUR thousand          | 2018       | 2017      |
|--------------------------|------------|-----------|
| Gross claims incurred    | 11,220,531 | 9,626,568 |
| Gross operating expenses | 3,670,208  | 3,230,311 |
| Reinsurance balance      | (280,669)  | 219,248   |

In accordance with the disclosure required pursuant to § 27 (3) and (4) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV), insurance contracts with the HDI property/casualty group are booked with a time delay of one month. The premium volume for 2018 amounts to altogether EUR 120.1 million. Of this, EUR 12.3 million relates to the month of December 2017.

## Expenses for investments

| in EUR thousand  | 2018           | 2017           |
|--|----------------|----------------|
| Fixed-income securities  | 156,641        | 44,327         |
| Administrative expenses  | 29,176         | 31,196         |
| Loss transfer  | 20,500         | 9,200          |
| Land and buildings   | 3,635          | 3,135          |
| Futures and options contracts, technical derivatives   | 2,418          | 2,305          |
| Deposit, bank and consultancy fees   | 1,025          | 948            |
| Shares and investment fund certificates  | 477            | 7,856          |
| Shares in affiliated companies and participations as well as loans to affiliated companies and enterprises in which the company has a participating interest | 339            | 5,998          |
| Forward exchange transactions  | 277            | 389            |
| Registered debt securities and sundry loans  | 165            | 3              |
| Interest charges   | 96             | 44             |
| Deposits with ceding companies   | 3,589          | –              |
| <b>Total</b>   | <b>218,338</b> | <b>105,401</b> |

## Other income

| in EUR thousand   | 2018           | 2017           |
|---|----------------|----------------|
| Exchange rate gains   | 95,957         | 79,915         |
| Income from services rendered                                       | 21,507         | 25,354         |
| Income from guarantees furnished                                    | 11,031         | 14,562         |
| Income from tax refunds   | 9,344          | 4,724          |
| Separate value adjustments on accounts receivable and retrocessions | 6,663          | 26,728         |
| Release of non-technical provisions                                 | 5,826          | 5,348          |
| Income from reinsurance contracts                                   | 3,499          | 10,032         |
| Profit from clearing transactions                                   | 1,898          | 3,013          |
| Allocated investment return   | 1,699          | 3,791          |
| Reimbursement of expenses   | 445            | 324            |
| Amounts realised  | 178            | 1              |
| Income from discounting pursuant to § 277 (5) HGB (Commercial Code) | 37             | 57             |
| Interest pursuant to § 233a AO (Fiscal Code)                        | –              | 40             |
| Other income  | 4,646          | 2,973          |
| <b>Total</b>  | <b>162,730</b> | <b>176,862</b> |



## Other expenses

| in EUR thousand  | 2018           | 2017           |
|--|----------------|----------------|
| Exchange rate losses   | 73,105         | 118,832        |
| Financing interest   | 88,132         | 72,046         |
| Deposit interest   | 67,089         | 32,995         |
| Expenses for the company as a whole  | 51,237         | 42,250         |
| Separate value adjustments on accounts receivable and retrocessions  | 25,139         | 59,473         |
| Expenses from services rendered  | 22,122         | 25,899         |
| Interest charges on old-age pension scheme   | 3,134          | 6,616          |
| Expenses for letters of credit   | 1,805          | 2,086          |
| Write-downs on accounts receivable   | 1,046          | 616            |
| Interest pursuant to § 233a AO (Fiscal Code)   | 1,000          | 3,500          |
| Expenses from reinsurance contracts  | 959            | 4,243          |
| Compounding of interest on provisions/expense from compounding pursuant to § 277 (5) HGB (Commercial Code) | 78             | 55             |
| Interest charges from reinsurance transactions   | 55             | 414            |
| Other interest and expenses  | 11,272         | 4,814          |
|  | <b>346,173</b> | <b>373,839</b> |
| Less: Technical interest   | 862            | 716            |
| <b>Total</b>   | <b>345,311</b> | <b>373,123</b> |

With respect to the fees paid to the independent auditor, we made use of the exemption afforded by § 285 No. 17 of the Commercial Code (HGB); the required disclosures are included in the consolidated financial statement of Hannover Re.

In addition to the audit of the annual financial statement and management report as at 31 December 2018, the independent auditor reviewed the reporting package compiled in accordance with International Financial Reporting Standards (IFRS) and drew up review reports on the quarterly financial

statements. The solvency balance sheet as at 31 December 2018 was also audited.

Furthermore, the independent auditor performed other assurance services in connection with the combined non-financial information statement.

The tax consultancy services encompass tax advice provided on specific matters.

## Expenses for personnel

| in EUR thousand                                      | 2018           | 2017           |
|--|----------------|----------------|
| 1. Wages and salaries                                | 132,897        | 121,371        |
| 2. Social security payments and expenses for welfare | 20,618         | 19,323         |
| 3. Expenses for old-age pension scheme               | 12,011         | 3,853          |
| <b>Total expenses</b>                                | <b>165,526</b> | <b>144,547</b> |

# Proposal for the appropriation of the disposable profit

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting that the disposable profit should be appropriated as follows:

## Proposal for the appropriation of the disposable profit

| in EUR  | 2018                    |
|---|-------------------------|
| Payment of a dividend of EUR 3.75 on each eligible no-par value share         | 452,239,252.50          |
| Payment of a special dividend of EUR 1.50 on each eligible no-par value share | 180,895,701.00          |
| Profit carried forward to new account   | 702,865,046.50          |
| <b>Disposable profit</b>  | <b>1,336,000,000.00</b> |

## Other notes

Hannover Re has placed two subordinated debts on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Re has secured by subordinated guarantee the debts issued in 2010 and 2012, each of which has a volume of EUR 500.0 million. In addition, Hannover Re has placed subordinated debt of EUR 500.0 million and a senior bond of EUR 750.0 million on the European capital market.

As security for technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount of the letters of credit, which also provide security for subsidiaries, was EUR 1,909.2 million (EUR 2,435.1 million) as at the balance sheet date.

Outstanding capital commitments with respect to special investments and shares in affiliated companies exist in the amount of EUR 742,3 million (EUR 735.7 million).

Under novation clauses in reinsurance contracts written by the subsidiaries with outside third parties we shall – in certain constellations – assume the rights and duties of the subsidiaries under the contracts. In the event of the contracts being transferred to Hannover Re, assets shall be transferred from the relevant subsidiary in the amount of the reserves. As at 31 December 2018 reserves equivalent to EUR 952,692 thousand (EUR 765,161 thousand) existed at the subsidiaries. No soft letters of comfort were provided in the financial year.

Hannover Re has provided guarantees of altogether USD 5,650.8 million to third parties for affiliated companies. The term of the guarantees is determined in each case by the secured liabilities of the affiliated company. Hannover Re receives guarantee commissions for this. In addition, a guarantee of GBP 10.0 million was furnished. Furthermore, financial

commitments to affiliated companies exist in an amount of USD 300.0 million and payment obligations to subsidiaries in South Africa based on the insurance and reinsurance contracts that they have written. A long-term compensation obligation in an amount of EUR 2,623 thousand exists with respect to HDI Unterstützungskasse.

There are no other obligations with a remaining maturity of more than five years.

No significant court cases were pending during the year under review or as at the balance sheet date – with the exception of proceedings within the scope of ordinary insurance and reinsurance business activities.

There were no further contingent liabilities or other financial commitments that were not evident from the annual balance sheet.

The average size of the workforce was 1,388 in the year under review, of whom 87 were executive staff and 1,301 employees.

The remuneration report is provided in the combined management report of the company on pages 127 to 147 of the Group Annual Report. The total remuneration of the Executive Board of Hannover Re amounted to EUR 6.8 million (EUR 6.5 million). In the year under review 7,317 share awards with a fair value of EUR 0.9 million were granted to active members of the Executive Board. Pension payments to former members of the Executive Board and their surviving dependants amounted to EUR 1,071 thousand. A liability of EUR 15,988 thousand was recognised for current pensions of former members of the Executive Board. The remuneration of the Supervisory Board amounted to EUR 788 thousand (EUR 772 thousand).

The particulars for the Executive Board and Supervisory Board are provided on pages 2 to 5.

The list of shareholdings is provided on pages 18 to 21.

Talanx AG, Hannover, holds a majority interest in our company.

Talanx AG, Hannover, and HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, include our financial statement in their consolidated financial statements, which are published in the electronic Federal Gazette.

On 7 November 2018 the Executive Board and Supervisory Board of Hannover Rück SE submitted an updated Declaration of Conformity pursuant to § 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code and made it permanently accessible on the company's website ([www.hannover-re.com/200801/declaration-of-conformity](http://www.hannover-re.com/200801/declaration-of-conformity)).

The company combined opposing forward exchange transactions in notional amounts of ZAR 20.3 million (EUR 0.9 million), ZAR 1,215.9 million (USD 78.1 million), USD 230.7 million (EUR 196.8 million), USD 16.8 million (TWD 520.9 million), CAD 122.5 million (USD 95.0 million), AUD 167.5 million (USD 120.7 million), GBP 72.5 million (USD 93.1 million), SGD 46.6 million (USD 33.8 million), JPY 17,450.0 million (USD 156.2 million) and HKD 242.9 million (USD 31.0 million) into valuation units as at the balance sheet date pursuant to § 254 of the Commercial Code (HGB). The risk entered into vis-à-vis the counterparty is passed on in full – including the default risk – to five affiliated companies. In this context, the transactions with the affiliated companies constitute the underlying transactions and those with the counterparties outside the Group constitute the hedge instruments that make up the valuation unit. Both the interest rate risks and the currency risks of the underlying transactions are hedged by means of micro-hedging. The opposing effects from the valuation units are fully correlated and recognised in the balance sheet using the net hedge presentation method. The effectiveness of the micro-hedges is assessed using the critical term method. As at 31 December 2018 the underlying transactions show positive fair values of altogether EUR 5.9 million and negative fair values totalling EUR 13.8 million. The forward exchange transactions, which were concluded in several tranches, have various maturity dates; the last transaction expires in 2022.

The company's portfolio also includes two forward exchange transactions in notional amounts of USD 45.0 million (HKD 349.6 million) and AUD 153.5 million (USD 111.1 million) with maturity dates in 2019 that are not combined into valuation units. Risks underlying the transactions are transferred to the Hong Kong branch and remain with Hannover Re in Germany respectively. The negative fair value of EUR 0.28

million (EUR 0.4 million) is carried in full on the liabilities side of the balance sheet as a provision for anticipated losses. The calculation is made on the basis of yield curves as well as spot and forward rates using the interest rate parity model.

In addition, a forward exchange transaction with a spread between the trade and interest value date that extends beyond 31 December 2018 was concluded in a notional amount of AUD 25.0 million (USD 17.7 million); this does not form part of the annual financial statement due to the value date accounting method.

Hannover Re hedges against currency risks by matching foreign currency liabilities with foreign currency assets. The intention is that changes in the value of foreign currency liabilities (underlying) caused by movements in exchange rates will be offset by opposing changes in the value of the foreign currency assets (hedge instrument). Matched liabilities are combined with their matching assets per currency into a valuation unit which is recognised in the balance sheet in the context of portfolio hedges. The volume amounts to EUR 22,068.8 million.

The portfolio contains derivatives associated with the technical account in a nominal volume of EUR 23.3 million which relate to earthquake risks in Japan. The risks are offset by countertrade transactions.

The stock participation rights granted in the form of virtual shares (share awards) in an amount of EUR 18.4 million were hedged by equity swaps in the financial year. The hedge is effected at the level of tranches and on a rolling basis with a maturity of three months until the share awards are paid out after five years. The hedged risk amounts to EUR 4.5 million. The underlying and the hedge were combined in a single valuation unit pursuant to § 254 of the Commercial Code (HGB). The offsetting changes in value are not recognised in the profit and loss account (net hedge presentation method). The effectiveness derives from the parallelism between the payments from the equity swaps and the change in value of the Hannover Re share. Effectiveness is measured retrospectively through the change in value of equity swaps and share awards. In April 2018 share awards with a value of EUR 7.3 million were paid out. Hedging through equity swaps resulted in a positive earnings effect of EUR 3.2 million.

A permanent establishment of Hannover Re has invested deposits with ceding companies amounting to USD 189.9 million arising out of a retrocession contract in a structured security of a large European bank (underlying). In this contract the retrocessionaire furnished a capital and interest guarantee for the invested contract deposits (hedge). The hedged risk amounted to USD 26.0 million as at the balance sheet date. The underlying and hedge are combined into a valuation unit in the balance sheet in a micro-hedge relationship.

We received an adequate consideration for all transactions with affiliated companies according to the circumstances of which we were aware at the time when the transactions were effected. We incurred no disadvantages requiring compensation as defined by § 311 of the Stock Corporation Act (AktG).

No events of special significance occurred after the balance sheet date that had a material impact on the results of operations, financial position or net assets of Hannover Re.

Hannover, 4 March 2019

Executive Board



Wallin



Althoff



Chèvre



Dr. Miller



Dr. Pickel



Vogel

## Reproduction of the independent auditor's report

In accordance with the final outcome of our audit, we issued the following unqualified auditor's report dated 5 March 2019:

# Independent Auditor's Report

to Hannover Rück SE, Hannover

## Report on the audit of the annual financial statement and the management report

### Audit opinions

We have audited the annual financial statement of Hannover Rück SE, Hannover – comprising the balance sheet as at 31 December 2018 and the profit and loss account for the financial year from 1 January to 31 December 2018 as well as the notes to the financial statement, including a summary of major accounting policies. In addition, we audited the management report of Hannover Rück SE, which is combined with the Group management report, for the financial year from 1 January 2018 to 31 December 2018. In accordance with German statutory requirements, we did not audit the content of the components of the management report specified in the "Other information" section of our independent auditor's report.

In our opinion, based on the findings of the audit,

- the attached annual financial statement complies in all material respects with the requirements of German commercial law and gives a true and fair view of the net assets and financial position of the company as at

### Basis of the audit opinions

We conducted our audit of the annual financial statement and the management report in conformity with § 317 Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014) with due regard to German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these requirements and principles is described more extensively in the section of our audit report entitled "Responsibility of the auditor for the auditing of the annual financial statement and the management report". We are independent of the company in conformity with the require-

31 December 2018 as well as its results of operations for the financial year from 1 January to 31 December 2018 in accordance with German generally accepted accounting principles, and

- the attached management report provides an accurate view overall of the position of the company. In all material respects this management report is consistent with the annual financial statement, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the components of the management report specified in the "Other information" section of our independent auditor's report.

Pursuant to § 322 Para. 3 Sentence 1 Commercial Code (HGB), we confirm that our audit did not give rise to any reservations concerning the correctness of the annual financial statement and the management report.

ments of European law as well as German commercial law and professional standards and we fulfilled our other German professional duties in conformity with these requirements. Furthermore, we confirm pursuant to Article 10 (2) letter f) EU Audit Regulation that we did not provide any prohibited non-audit services as defined by Article 5 (1) EU Audit Regulation. We are of the opinion that the audit evidence obtained is sufficient and appropriate to serve as a basis for our audit opinions on the annual financial statement and the management report.

## Key audit matters in the auditing of the annual financial statement

Key audit matters are those matters that, in our professional judgement, are of the greatest significance to our audit of the annual financial statement for the financial year from 1 January to 31 December 2018. These matters were considered in the context of our audit of the annual financial statement as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our assessment, the following matters were of the greatest significance in our audit:

- (1) Measurement of the life assurance provision
- (2) Measurement of the provision for outstanding claims in property and casualty reinsurance
- (3) Calculation of the estimated gross premium

We have structured our presentation of each of these key audit matters as follows:

- (a) Facts of the matter and problem
- (b) Approach taken in the audit and insights gained
- (c) Reference to further information

The key audit matters are presented below:

### (1) Measurement of the life assurance provision

- (a) Life assurance provisions of altogether EUR 8,724.7 million (21.4% of the balance sheet total) are recognised in the company's annual financial statement under the balance sheet item "Technical provisions". The life assurance provision was established largely for reinsurance transacted in the lines of life and health reinsurance.

The measurement of the life assurance provision under commercial law is derived using actuarial methods from the present value of future payments to ceding companies less the present value of future premiums still to be paid by ceding companies, subject to the principle of commercial prudence and realisation in accordance with the provisions of commercial law and supervisory requirements.

Depending on the structuring of the treaty and the regular course of business, the calculation is based either on a combination of statements of account available from ceding companies, as necessary adjusted to reflect estimates of the treaty experience for accounting periods not yet available, or on model-based own calculations of the life assurance provision. In the context of valuation, estimates are also made of the measurement parameters, particularly in relation to the biometric actuarial bases that are to be used – such as probabilities for mortality and longevity, potentially including trends, morbidity – as well as socio-economic factors such as the assumed behaviour of policyholders, e.g. cancellation.

In this regard, the assessment of the adequacy of the reported life assurance provision, the estimates made in

cases where statements of account from ceding companies were not available and the model-based calculations of the life assurance provision are subject to considerable scope for discretion on the part of Management and hence the associated estimation uncertainties.

Against this backdrop and in view of the material significance (in terms of amount) of the life assurance provision for the net assets and financial position of the company as well as the complexity of the underlying calculations, this matter was of particular significance in the context of our audit.

- (b) As part of the audit, in light of the significance of the life assurance provision, we evaluated the methods used by the company and the assumptions made by Management in cooperation with our actuaries. In so doing, we worked on the basis of, among other things, our industry expertise and our industry experience.

For the purposes of our evaluation, we assessed the design and effectiveness of the controls put in place to determine and document the life assurance provision. Special emphasis here was put on controls that ensure new products and contracts are correctly classified and that changes in assumptions are correctly implemented in the systems.

Building on the review of the controls, we conducted further analytical and substantive audit procedures in relation to the measurement of the life assurance provision.

We verified on a case-by-case basis the correct and appropriate use of statements of account available from ceding companies in the determination of the life assurance provision. In this connection we evaluated the adequacy of the material assumptions by analysing the actuarial methods used to arrive at them. Most notably, we examined whether sufficient safety margins were built into the valuation according to the criteria of commercial law or whether any strengthening of the reserves may be necessary. Furthermore, we analysed the development of the life assurance provision compared to the previous year, in particular with an eye to whether the assumptions reflect the latest available cedant information, current business developments and our expectations based on market observations.

On the basis of our audit procedures we were able to assure ourselves that the estimates and assumptions made by Management as a basis for measurement of the life assurance provision are generally appropriate.

- (c) The information provided by the company regarding the life assurance provision is contained in the sections of the notes entitled “Valuation of liabilities” and “Notes on liabilities”. Risk information is provided in the company’s management report in the section “Opportunity and risk report”, subsection “Underwriting risks in life and health reinsurance”.

## (2) Measurement of the provision for outstanding claims in property and casualty reinsurance

- (a) Provisions for outstanding claims of EUR 23,579.1 million (57.7% of the balance sheet total) are recognised in the company’s annual financial statement under the balance sheet item “Technical provisions”. A major part of the gross provision for outstanding claims is attributable to property and casualty reinsurance. In accordance with § 341g Commercial Code (HGB) provisions (known as “loss reserves”) are to be established for obligations arising out of claims that have been incurred but not yet settled by the end of the financial year.

The determination of the loss reserve requires discretionary decisions, estimates and assumptions on the part of Management. Minimal changes to these assumptions and the methods used can materially affect the measurement of this provision. Against this backdrop, and also bearing in mind the material significance (in terms of amount) of this provision for the net assets and results of operations of the company, the measurement of this provision was of particular significance in the context of our audit.

The loss reserves in property and casualty reinsurance are estimated based on empirical values in light of the information provided by ceding companies. The measurement of the loss reserves under commercial law is derived using actuarial methods that necessitate a sufficiently long data history and stability of the observed data.

- (b) As part of the audit, in light of the significance of the loss reserve, we evaluated the methods used by the company and the assumptions made by Management in cooperation with our own actuaries. In so doing, we worked on the basis of, among other things, our industry expertise and our industry experience.

The mathematical methods incorporate assumptions regarding premiums, ultimate loss ratios and run-off patterns that are built upon an expert assessment based on past experience. Taking into account the results of the actuarial procedures and other influencing factors in relation to the uncertainties associated with the calculations, Management determines the amount of the loss reserves for the purposes of commercial law.

Among other things, we assessed the adequacy of the design of the reserving process and performed functional checks in order to evaluate the effectiveness of the internal controls. Special emphasis here was put on controls that ensure the data used are adequate and complete and that the calculation process is subject to a sufficient form of quality assurance.

Technical provisions, and hence in particular the loss reserves, are to be measured in such a way as to ensure that the company, in its role as insurer, can meet its obligations on a lasting basis (special prudence concept) and that the principle of balance sheet consistency is maintained.

Building on the review of the controls, we conducted further analytical and substantive audit procedures in relation to the measurement of the loss reserve.

Bearing in mind the significance of the loss reserve for the company’s total business, our internal measurement specialists evaluated the adequacy of the methods used by the company. Furthermore, our internal measurement specialists assessed the models used by the company and

assumptions made by Management on the basis of industry expertise and experience with general accepted actuarial practices. Most notably, we examined whether sufficient safety margins were built into the measurement according to the criteria of commercial law or whether any strengthening of the reserves may be necessary. In this context, the consistent application of the measurement methods was also reviewed.

On the basis of our audit procedures we were able to assure ourselves that the estimates and assumptions made by Management with regard to the loss reserve are generally appropriate.

### (3) Calculation of the estimated gross premium

- (a) The company reports gross written premium of EUR 14,640.8 million in the profit and loss account contained in its annual financial statement.

Premiums for reinsurance assumed are recognised according to the terms and conditions of the reinsurance treaties. Where statements of account from ceding companies are not yet available, the company has made supplementary or complete estimates of the premiums. Of the total gross written premium, around EUR 5,871.0 million is estimated; this corresponds to a share of 40.1%. The estimates are based on assumptions and are therefore subject to considerable uncertainty and highly discretionary.

In view of the material significance (in terms of amount) of the estimated premium volume for the company's net assets and results of operations as well as the considerable discretionary scope of Management and the associated estimation uncertainties, this matter was of particular significance in the context of our audit.

- (b) For the purpose of auditing the estimated gross premium, as a first step we conducted the structural audit of the premium and estimation process. In this connection we identified the material key controls and analysed their design.

- (c) The information provided by the company regarding the loss reserves in property and casualty reinsurance is contained in the sections of the notes entitled "Valuation of liabilities" and "Notes on liabilities". Risk information is provided in the company's management report in the section "Opportunity and risk report", subsection "Underwriting risks in property and casualty reinsurance".

On this basis, as part of the functional audit, we tested the effectiveness of the key controls implemented in the process and evaluated the adequacy of the material assumptions by reproducing and analysing the calculation method used to arrive at the estimated gross premium.

In the context of audit procedures conducted on a case-by-case basis we critically examined the key assumptions underlying an estimate and had the company provide us with corresponding justifications for the estimate. Using information on the premiums expected in the previous year, we made a comparison with the actual figures and were thus able to draw conclusions about the quality of the estimates.

On the basis of our audit procedures we were able to assure ourselves that the calculation methods used by Management to arrive at the estimated gross premium are generally appropriate.

- (c) The information provided by the company regarding the estimated gross premium is contained in the sections of the notes entitled "Valuation of liabilities" and "Notes on the profit and loss account".



## Other information

Management is responsible for the other information. The other information encompasses the following components of the management report, the content of which was not audited:

- the declaration on corporate governance pursuant to § 289f Commercial Code (HGB) and § 315d Commercial Code (HGB) contained in the section of the management report entitled “Enterprise management”,
- the non-financial information statement pursuant to § 289b Para. 1 Commercial Code (HGB) and § 315b Para. 1 Commercial Code (HGB) contained in the section of the management report entitled “Combined non-financial information statement”,
- the disclosures contained in the management report that are identified as unaudited in connection with Solvency II reporting.

The other information additionally encompasses the other parts of the Annual Report – excluding further cross-references to external information –, with the exception of the audited annual financial statement, the audited management report and our audit report.

Our audit opinions on the annual financial statement and on the management report do not extend to the other information, and hence we do not express an audit opinion or draw any other form of audit conclusion in this regard.

In connection with our audit our responsibility is to read the other information and assess whether the other information

- shows material inconsistencies with the annual financial statement, the management report or knowledge that we obtained as part of the audit or
- appears to be materially misstated in other respects.

## Responsibility of Management and of the Supervisory Board for the annual financial statement and the management report

Management is responsible for preparation of the annual financial statement, which in all material respects is in conformity with the requirements of German commercial law, and for ensuring that the annual financial statement gives a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles. In addition, Management is responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles in order to facilitate preparation of an annual financial statement that is free of material misstatements, whether intended or unintended.

In preparing the annual financial statement, Management is responsible for assessing the capacity of the company to continue as a going concern. Furthermore, they are responsible for declaring facts and circumstances connected with continuation as a going concern, where relevant. In addition, they are responsible for financial reporting on the going concern basis of accounting, provided this does not conflict with actual or legal circumstances.

Moreover, Management is responsible for the preparation of the management report, which overall gives an accurate view of the position of the company and in all material respects is consistent with the annual financial statement, complies with German legal requirements and suitably reflects the opportunities and risks of future development. Management is also responsible for the safeguards and measures (systems) that they considered necessary in order to facilitate the preparation of a management report in conformity with applicable German legal requirements and in order to be able to provide sufficient appropriate evidence for the statements contained in the management report.

The Supervisory Board is responsible for monitoring the financial reporting process used by the company for drawing up the annual financial statement and the management report.

## Responsibility of the auditor for the auditing of the annual financial statement and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statement as a whole is free of material – intended or unintended – misstatements and whether overall the management report gives an accurate view of the company's position and in all material respects is consistent with the annual financial statement as well as with the insights gained from the audit, is in conformity with German legal requirements and suitably presents the opportunities and risks of future development; it is also our goal to provide an audit report that contains our audit opinions on the annual financial statement and on the management report.

Reasonable assurance is a high degree of assurance, but not a guarantee, that an audit performed in conformity with § 317 Commercial Code (HGB) and the EU Audit Regulation and with due regard to German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) always detects a material misstatement. Misstatements may be due to fraud or error and are considered to be material if it could reasonably be expected that individually or as whole they influence the economic decisions made by users on the basis of this annual financial statement and management report.

During the audit we exercise our due discretion and maintain a fundamentally critical attitude. In addition,

- we identify and assess the risks of material – intended or unintended – misstatements in the annual financial statement and in the management report, plan and conduct audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being detected is greater with fraud than with error, because fraud may involve fraudulent collaboration, falsifications, wilful incompleteness, misleading representations or the bypassing of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the annual financial statement and the safeguards and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate under the existing circumstances, albeit not with the aim of providing an audit opinion on the effectiveness of these company systems.
- we assess the adequacy of the accounting policies applied by Management as well as the reasonableness of the estimated values presented by Management and associated disclosures.

- we draw conclusions regarding the adequacy of the going concern accounting principle applied by Management as well as, on the basis of the audit evidence obtained, regarding whether material uncertainty exists in connection with events or circumstances that can raise significant doubts about the capacity of the company to continue as a going concern. If we conclude that material uncertainty exists, we are required in the audit report to draw attention to the associated disclosures in the annual financial statement and in the management report or, if these disclosures are inadequate, to modify our audit opinion. We arrive at our conclusions on the basis of the audit evidence obtained until the date of our audit report. Future events or circumstances may, however, result in the company no longer being able to continue as a going concern.
- we assess the overall presentation, the structure and the content of the annual financial statement including the disclosures as well as whether the annual financial statement presents the underlying business transactions and events in such a way that the annual financial statement in compliance with German generally accepted accounting principles gives a true and fair view of the net assets, financial position and results of operations of the company.
- we assess the consistency of the management report with the annual financial statement, its conformity with the law and the view of the position of the company that it conveys.
- we conduct audit procedures with respect to the prospective information presented by Management in the management report. In particular, based on sufficient suitable audit evidence we verify the major assumptions taken as a basis by Management for the prospective information and assess the proper derivation of the prospective information from these assumptions. We do not provide an independent audit opinion on the prospective information or on the underlying assumptions. There is a considerable unavoidable risk that future events may differ substantially from the prospective information.

We discuss with those charged with governance, among other things, the planned scope and the timetable of the audit as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We provide to those charged with governance a declaration to the effect that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that can reasonably be assumed to affect our independence as well as the safeguards implemented in this respect.

We determine from among the matters that we discussed with those charged with governance those matters that were most relevant to the current reporting period in the audit of the annual financial statement and therefore constitute the key audit matters. We describe these matters in the audit report, unless laws or other legal provisions prevent public disclosure of the matter.

## Miscellaneous statutory and other legal requirements

### Other information pursuant to Article 10 EU Audit Regulation

We were selected as the auditor of the financial statement by the Supervisory Board on 8 March 2018. We received the audit mandate from the Supervisory Board on 13 June 2018. We have served as the auditor of the financial statement of Hannover Rück SE, Hannover, since the 2018 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee in accordance with Article 11 EU Audit Regulation (long-form audit report).

### Lead engagement partner

The lead engagement partner for the audit is Mathias Röcker.

Hannover, 5 March 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Mathias Röcker  
Wirtschaftsprüfer

ppa. Dennis Schnittger  
Wirtschaftsprüfer

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of Hannover Rück SE, and the combined management report includes a fair review

of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of Hannover Rück SE.

Hannover, 4 March 2019

Executive Board



Wallin



Althoff



Chèvre



Dr. Miller



Dr. Pickel



Vogel

# Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2018 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Hannover Rück SE held four regular meetings and two extraordinary meetings in order to adopt the necessary resolutions after appropriate discussion. In addition, the Supervisory Board adopted two resolutions in the reporting period by a written procedure. All nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2018. Two representatives of the Federal Financial Supervisory Authority attended one meeting on a routine basis. In addition, we were informed by the Executive Board in writing and orally on the basis of the quarterly statements about the course of business as well as the position of the company and the Group. The quarterly reports with the components of the financial statements and key figures for

the Hannover Re Group constituted an important source of information for the Supervisory Board.

We received an analysis of the 2017 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2018 financial year and the operational planning for the 2019 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company's management as required by our statutory responsibilities and those placed upon us by the company's Articles of Association.

No audit measures pursuant to § 111 Para. 2 Sentence 1 Stock Corporation Act (AktG) were required in the 2018 financial year.

## Key points of deliberation

On 12 February 2018 we held an extraordinary meeting dedicated to addressing the US tax reform and its implications for the reinsurance business transacted by Hannover Rück SE as well as specific financing measures.

At the meeting on 8 March 2018 the Supervisory Board discussed the audited annual and consolidated financial statements as well as the Executive Board's proposal for the appropriation of the disposable profit for the 2017 financial year. In this regard, as in the previous year, the Executive Board described all material indicators from the technical and non-technical accounts as well as key data on the investment side and the independent auditor directly presented the results of the audit and elaborated on the audit procedure. The Executive Board outlined the prospects for the current 2018 financial year and we discussed the major insights from the compliance, audit and risk reports. Among the steps taken as part of the annual revision of the investment guidelines, the product catalogue was expanded to include cross-currency swaps and adjustments were made to asset allocations in a few specific cases in response to market developments. Following the announcement that two members of the Supervisory Board – namely Mr. Wolf-Dieter Baumgartl and Dr. Klaus Sturany – would be stepping down with effect from the end of the Annual General Meeting in May, the Supervisory Board discussed the corresponding by-elections of Mr. Torsten Leue and Dr. Ursula Lipowsky, who attended the meeting as guests for this purpose. In this connection consideration was given

to the areas of expertise within the body as a whole as well as the envisaged changes to the composition of the committees. The other agenda items to be dealt with at the upcoming Annual General Meeting were also determined. Having chosen the preferred auditing firm in 2017 as recommended by the Finance and Audit Committee following the selection procedure, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the independent auditor for the first time in accordance with this determination. Furthermore, the variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective targets for the 2017 financial year and, after an in-depth exploration of the matter, a capital increase was approved at the subsidiary Glencar Insurance Company.

On 4 May 2018 the Executive Board reported to us on the first quarter of 2018 and we explored the overall results of the previous year in greater detail; in this regard the Executive Board presented relevant analyses regarding the quality of the loss reserves in property and casualty reinsurance and the intrinsic value creation (IVC). In addition to the outlook for the current financial year, the examination of the Own Risk and Solvency Assessment (ORSA) and the capitalisation under Solvency II constituted further key points of deliberation. Following up on this, the structure of the Regular Supervisory Report (RSR) and its differences and overlaps relative to the ORSA were explained. We also received a report on the re-

turn on investment as compared with peer companies. The deliberations on the joint growth initiative in specialty lines between Hannover Rück SE and HDI Global SE formed another major part of our work on the Supervisory Board.

At the extraordinary meeting of the Supervisory Board on 7 May 2018 the necessary by-elections on the committees were held after the Annual General Meeting, together with a by-election for our Deputy Chairman. The personnel particulars in this regard are to be found below in the present report (“Changes on the Supervisory Board and the Executive Board”).

On 8 August 2018 the Executive Board reported on the first half of 2018; in this context, as usual, it described the material indicators from the technical and non-technical accounts and outlined the attainment status of the strategic objectives based on the target matrix. The outlook for the current financial year was followed by a discussion of the key insights from the risk report. In addition, the management measures chosen by the company in connection with the so-called US Brock portfolio and the description of the recognition and development of the business concerned were a major focus of the August meeting. The corresponding project “Reboot Update” was also considered at length in the meetings of the Finance and Audit Committee. We also received the audit report on the solvency balance sheet. Furthermore, the Supervisory Board received a detailed explanation of the company’s digitalisation strategy from the Executive Board, which it subsequently discussed. With an eye to the self-assessment of the Supervisory Board’s areas of expertise that had once more been carried out, the Supervisory Board decided that the extensive list of topics which goes beyond the regulatory requirements will be used again in 2019. Responding to the insights gained from this self-assessment in the previous

## Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 Stock Corporation Act (AktG), the Finance and Audit Committee met on four occasions, the Standing Committee met three times and the Nomination Committee met twice. The Chairman of the Supervisory Board updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions.

The Finance and Audit Committee considered inter alia the consolidated financial statement and the quarterly reports drawn up in accordance with IFRS and the individual financial statement of Hannover Rück SE drawn up in accordance with the German Commercial Code (HGB) and it discussed with the independent auditors their reports on these financial statements. As in the previous year, an expert opinion on the adequacy of the loss reserves in property and casualty rein-

year, the Supervisory Board took part in an IT training session. The Supervisory Board also received a report on the development of the investment dating from 2016 in Somerset Re, a Bermuda-based reinsurer. In August the Supervisory Board was additionally introduced to Mr. Jean-Jacques Henchoz as a potential successor to Mr. Ulrich Wallin in the role of Chief Executive Officer.

At the last meeting of the year on 7 November 2018, we deliberated at length on the key preliminary results in the business performance together with the outlook for the current financial year. We were provided with the report on employee capacities. The Executive Board also presented the operational planning for 2019; we considered this in detail and subsequently approved the annual/results planning submitted to us. We discussed the latest insights from the risk report and were informed of the status of major pending legal proceedings. The ongoing project “Nukleus” and our associated decision to terminate the control and profit transfer agreement with International Insurance Company of Hannover SE was another focus of our deliberations. As in every year, the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. We received a report on the allocation, structure and profitability of the real estate portfolio. Based on the findings of the “Fit & Proper” self-assessment that had been conducted, we engaged in an extensive exchange of views on a development plan for the full Supervisory Board. Furthermore, we dedicated a significant part of our discussion to corporate governance issues and in this regard we approved a revised diversity concept and the updated Declaration of Conformity (see also further information below).

As in every year, we were regularly briefed on the work of the Supervisory Board committees.

insurance was noted, the retrocession structure of the Hannover Re Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to corporate governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and prepared the audit concentrations for the 2018 financial year for adoption by the full Supervisory Board.

The Committee was provided with detailed reports on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re

(Brock portfolio) as well as on the rate increases that had been initiated. The Committee also considered the allocation, structure and profitability of the real estate portfolio. Furthermore, the Committee prepared various resolutions to be adopted by the Supervisory Board. Consideration of the US tax reform and its implications for the reinsurance business transacted by Hannover Rück SE was another focus of deliberations in the work carried out by the Finance and Audit Committee. The Committee's discussions also gave appropriate consideration to the joint growth initiative in specialty lines between Hannover Rück SE and HDI Global SE.

A further subject of discussion was the review of the successful completion of the transition phase between the previous and currently mandated auditing firm. The Finance and Audit Committee subsequently assured itself – including through direct dialogue with the auditors in the context of a meeting – that the change of auditing firm had been completed in an orderly fashion.

The Standing Committee dealt with, among other things, the adequacy of the system of remuneration for the members of the Executive Board, the determination of the variable remuneration of the members of the Executive Board for the 2017 financial year based on the findings with respect to attainment of their respective targets and the examination of the remuneration for the Board members who were due for re-

## Corporate Governance

The Government Commission on the German Corporate Governance Code (DCKG) did not make any changes to the German Corporate Governance Code in 2018. We nevertheless devoted considerable attention to the topic of corporate governance. For example, the Supervisory Board expanded the diversity concept in the year under review (cf. page 126 et seq. of the combined management report in the Group Annual Report) and reported on the manner of its implementation as well as the results achieved in the financial year. Furthermore, diversity on the Supervisory Board and Executive Board was increased in the financial year and steps were initiated to bring about a further improvement in the coming years.

We considered the report by the Executive Board on non-financial matters (cf. page 75 et seq. of the combined management report in the Group Annual Report) and examined it. Besides PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the information statement with limited assurance in accordance with the audit standard ISAE 3000 (Revised) (see here the Independent Auditor's Report on page 35 et seq.).

In addition, the Supervisory Board received a report on the design of the remuneration schemes as well as the compli-

view. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee deliberated at length on the medium- and long-time succession arrangements for the Executive Board and recommended to the full Supervisory Board the appointment of Mr. Henchoz as a member of the Executive Board, his nomination as Chief Executive Officer to succeed Mr. Wallin and the reappointment of Mr. Claude Chèvre.

The Nomination Committee recommended to the Supervisory Board the candidates for the necessary by-elections to the Supervisory Board. On this basis the Supervisory Board recommended the candidates to the Annual General Meeting on 7 May 2018, which followed the recommendation and elected the candidates to the Supervisory Board. In addition, the Nomination Committee discussed suitable candidates for the upcoming election of new shareholder representatives to the Supervisory Board in the coming year. When recommending candidates for nomination, the Committee takes into account the legal and supervisory stipulations, the goals set by the Supervisory Board itself for the composition of the body, the guidelines regarding the specialist and personal requirements for the members of the Supervisory Board – which the latter had approved in updated form in 2017 – as well as the current self-assessments of each of the members of the Supervisory Board and the self-assessments of the candidates for the Supervisory Board.

ance, internal audit and risk reports. The Supervisory Boards further noted that at least two of its members – namely Dr. Andrea Pollak and Dr. Ursula Lipowsky – are to be considered independent members of the Supervisory Board.

Notwithstanding the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to fully comply with the recommendations contained in Code Section 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Section 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Section 5.3.2 Para. 3 Sentence 3 concerning the Chair of the Audit Committee and in Code Section 5.3.2 Para. 3 Sentence 2 concerning the independence of the Chair of the Audit Committee. Justification for these divergences is provided in the Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code, which is reproduced in the Group Annual Report as part of the Declaration on Corporate Governance (cf. page 122 et seq.). Further information on the topic of corporate governance is available on the website of Hannover Rück SE.

## Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board chose the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. Along with the audit concentrations of the German Financial Reporting Enforcement Panel (DPR), the additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by the independent auditors on the Half-yearly Financial Report as at 30 June 2018 was also awarded again. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. It was also determined that the annual financial statement contains the information pursuant to § 289f German Commercial Code (HGB). The Finance and Audit Committee discussed the financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its reviews. The audit reports were distributed to all the members of the Supervisory Board and explored in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by PricewaterhouseCoopers GmbH Wirtschaftsprü-

fungsgesellschaft and given the following unqualified audit certificate:

“Having audited the report in accordance with our professional duties, we confirm that

1. the factual details of the report are correct;
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high.”

We have examined

- a. the annual financial statements of the company, the financial statements of the Hannover Re Group and the combined management report prepared by the Executive Board for the company and the Group, and
- b. the report of the Executive Board pursuant to § 312 Stock Corporation Act (AktG) (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2018 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report.

The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the appropriation of the disposable profit for 2018 is in accordance with that of the Executive Board.

## Changes on the Supervisory Board and the Executive Board

There were changes in the composition of the Supervisory Board, its committees and the Executive Board in the year under review.

On the Supervisory Board Mr. Baumgartl and Dr. Sturany informed the Chairman of the Supervisory Board that they would be resigning their Supervisory Board mandates with effect from the end of the Annual General Meeting of Hannover Rück SE on 7 May 2018. Mr. Baumgartl also sat on the Standing Committee, the Finance and Audit Committee and the Nomination Committee. Dr. Sturany belonged to the Standing Committee. Dr. Lipowsky and Mr. Leue were elected to the Supervisory Board in the scheduled by-election held at the Annual General Meeting on 7 May 2018 with effect from the end of the Annual General Meeting.

At the extraordinary Supervisory Board meeting held after the Annual General Meeting Dr. Erhard Schipporeit resigned his mandate as a member of the Finance and Audit Committee. Dr. Lipowsky and Mr. Leue were subsequently elected to the Finance and Audit Committee. Mr. Leue and Dr. Schipporeit were elected to the Standing Committee. In addition, Mr. Leue was elected to the Nomination Committee.

As a member of the Supervisory Board and employee representative on the company's Supervisory Board, Mr. Otto Müller stepped down from the Supervisory Board effective 31 May 2018 at the end of his active employment relationship with the company. Ms. Benita Bierstedt succeeded Mr. Müller on the Supervisory Board as the appointed personal substitute member with effect from 1 June 2018. Ms. Bierstedt then



resigned her mandate as a Supervisory Board member and employee representative on the company's Supervisory Board for personal reasons effective 6 July 2018. In the by-election that was then held for the vacant seat as an employee representative, Mr. Müller was re-elected to the Supervisory Board as an external employee representative with effect from 12 July 2018.

Mr. Henchoz was appointed as a member of the Executive Board with effect from 1 April 2019 and nominated as Chairman of the Executive Board with effect from the end of the Annual General Meeting on 8 May 2019; from this date onwards he will therefore take over as Chief Executive Officer from Mr. Wallin, who is retiring. Mr. Chèvre was reappointed as a member of the Executive Board.

On 9 November 2018 Mr. Jürgen Gräber, a long-serving member of the Executive Board, passed away suddenly and entirely unexpectedly. Mr. Gräber had joined the company as an underwriter in 1981 after graduating from university. He was appointed to the Executive Board in 1997, most recently overseeing the areas of Worldwide Treaty Reinsurance, Catastrophe XL business, Structured Reinsurance and Insurance-Linked Securities as well as coordination of the Property&Casualty reinsurance business group; he was additionally responsible for Quotations and Retrocessions. Thanks to his efforts and dedication, Mr. Gräber was directly involved in shaping the excellent underwriting results recorded by the company over the past years.

## Word of thanks to the Executive Board and members of staff

The good result generated by Hannover Rück SE for the 2018 financial year was made possible by the exceptional performance of the Executive Board and the members of staff working for the company and the Group. The Supervisory Board would like to express its recognition and special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 6 March 2019

The Supervisory Board



Haas



Leue



Heitmüller



Dr. Lipowsky



Müller



Dr. Pollak



Dr. Querner



Dr. Schipporeit



Sielaff

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A printed version of the Annual Report of Hannover Rück SE is also available in German. The report can be downloaded online in PDF format in English and German at:

**[www.hannover-re.com](http://www.hannover-re.com)**

This is a translation of the original German text; the German version shall be authoritative in case of any discrepancies in the translation.

We would also be pleased to send you copies of the Annual Reports of the Hannover Re Group and Hannover Rück SE in English or German. If you wish to receive paper copies of any of these versions please contact Corporate Communications on:

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